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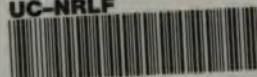
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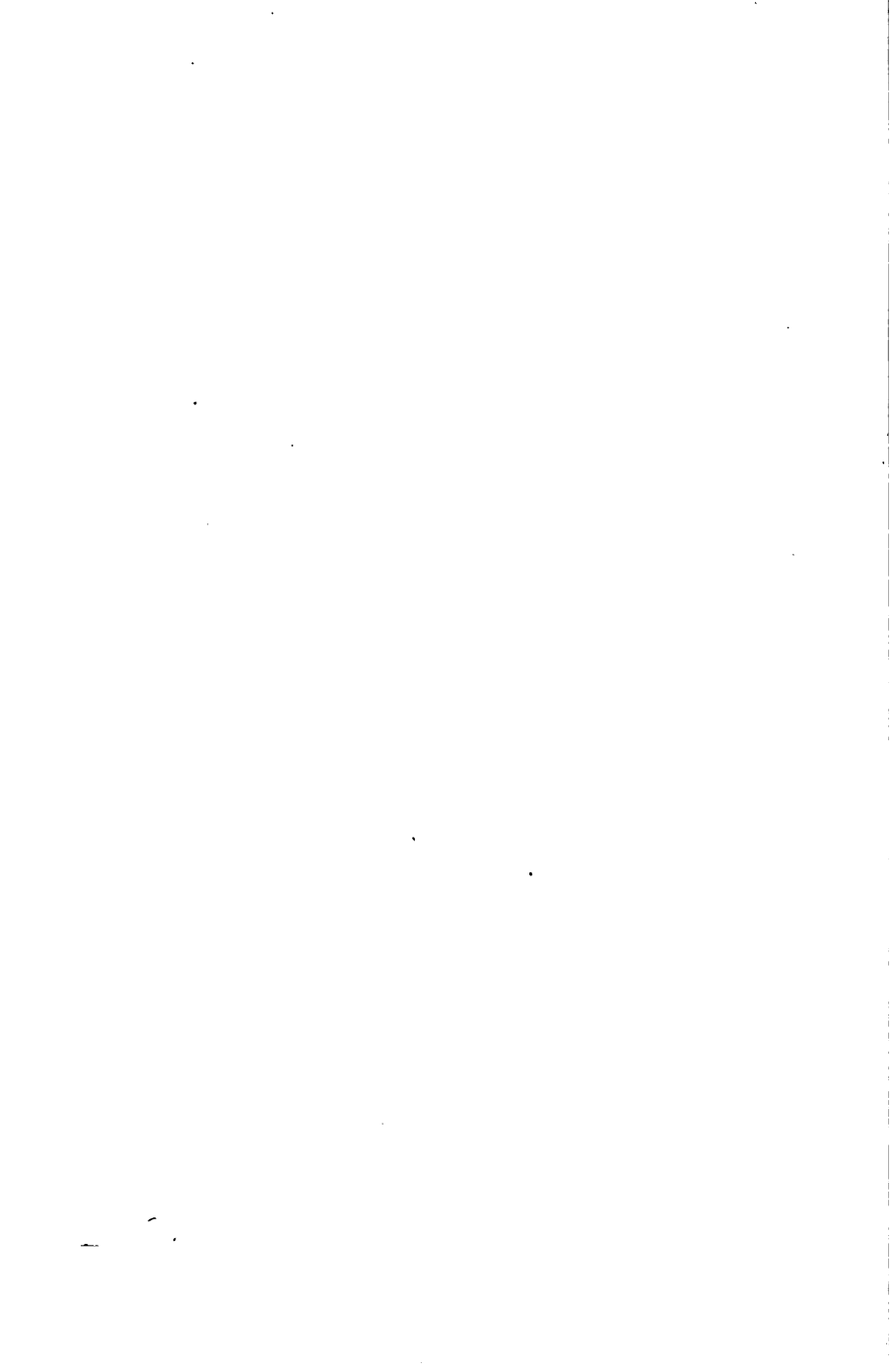
THE KING'S
WEIGH HOUSE LECTURES
TO BUSINESS MEN



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**THE
KING'S WEIGH HOUSE LECTURES
TO BUSINESS MEN**



THE KING'S WEIGH HOUSE LECTURES TO BUSINESS MEN

BY

THE RIGHT-HON. LORD AVEBURY, F.R.S.;
C. A. MONTAGUE BARLOW, Esq., LL.D., M.A.;
SIR COURTENAY BOYLE, K.C.B.; HERBERT
E. CRABB, Esq.; W. EVANS, Esq.; COLONEL
H. M. HOZIER, C.B.; A. J. WILSON, Esq.;
AND T. M'KINNON WOOD, Esq., LL.D.,
D.L., J.P.

WITH AN INTRODUCTION BY

M. E. SADLER, Esq., M.A.

CHRIST CHURCH, OXFORD



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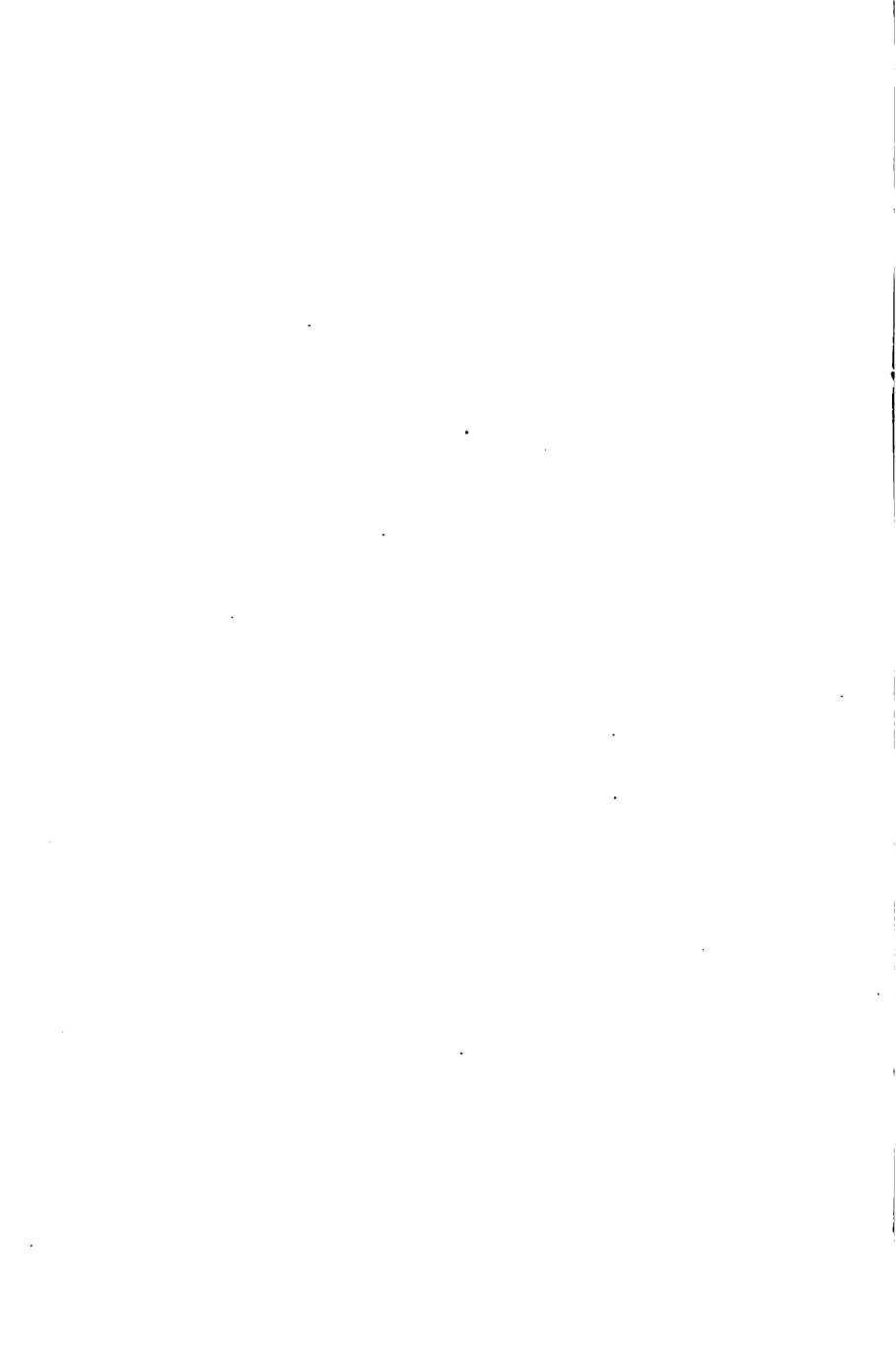
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GENERAL

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TO
FRANK DEBENHAM, Esq.
IN RECOGNITION OF HIS WORK FOR
COMMERCIAL EDUCATION
AND PARTICULARLY OF HIS KINDLY INTEREST
IN BARRETT STREET COMMERCIAL SCHOOL (L.S.B.)
THIS VOLUME IS
IN ACCORDANCE WITH THE
GENERAL WISH OF THE SCHOOL STAFF
RESPECTFULLY DEDICATED



PREFACE

THESE Lectures were delivered at King's Weigh House, Grosvenor Square, during Session 1900-01, in connection with the Evening Commercial School, Barrett Street, Oxford Street, W., established by the London School Board.

Their publication was decided upon in response to a number of applications from all parts of the country.

We are deeply indebted to the Lecturers, all of whom are amongst the recognised authorities on the subjects on which they spoke, for their hearty co-operation in this work, and to Mr. Sadler for his able and timely article on "England's Need of Commercial Education."

It is our duty to mention that the establishment of the School, as well as the successful conduct of the Lectures, was mainly due to the initiation and

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efforts of the Hon. E. Lyulph Stanley (Vice-Chairman of the London School Board), Mr. Frank Debenham, and the late Sir Courtenay Boyle, in whose death Commercial England has suffered such an incalculable loss.

We owe a special debt of gratitude to Mr. Stanley and the Rev. Stewart D. Headlam (Chairman of the Evening Schools Department), both of whom for many years have devoted themselves so thoroughly to the promotion of Education in London.

We have also received much encouragement and valuable assistance from the Commercial Education Committee of the London Chamber of Commerce, whose Scheme of Examinations deserves the attention of all students of Commercial subjects.

The expenses incidental to these Lectures have been defrayed by voluntary subscription.

P. G. ASBURY, *Principal.*

RICHARD MORRIS, *Organising Secretary.*

SCHOOL BOARD FOR LONDON.

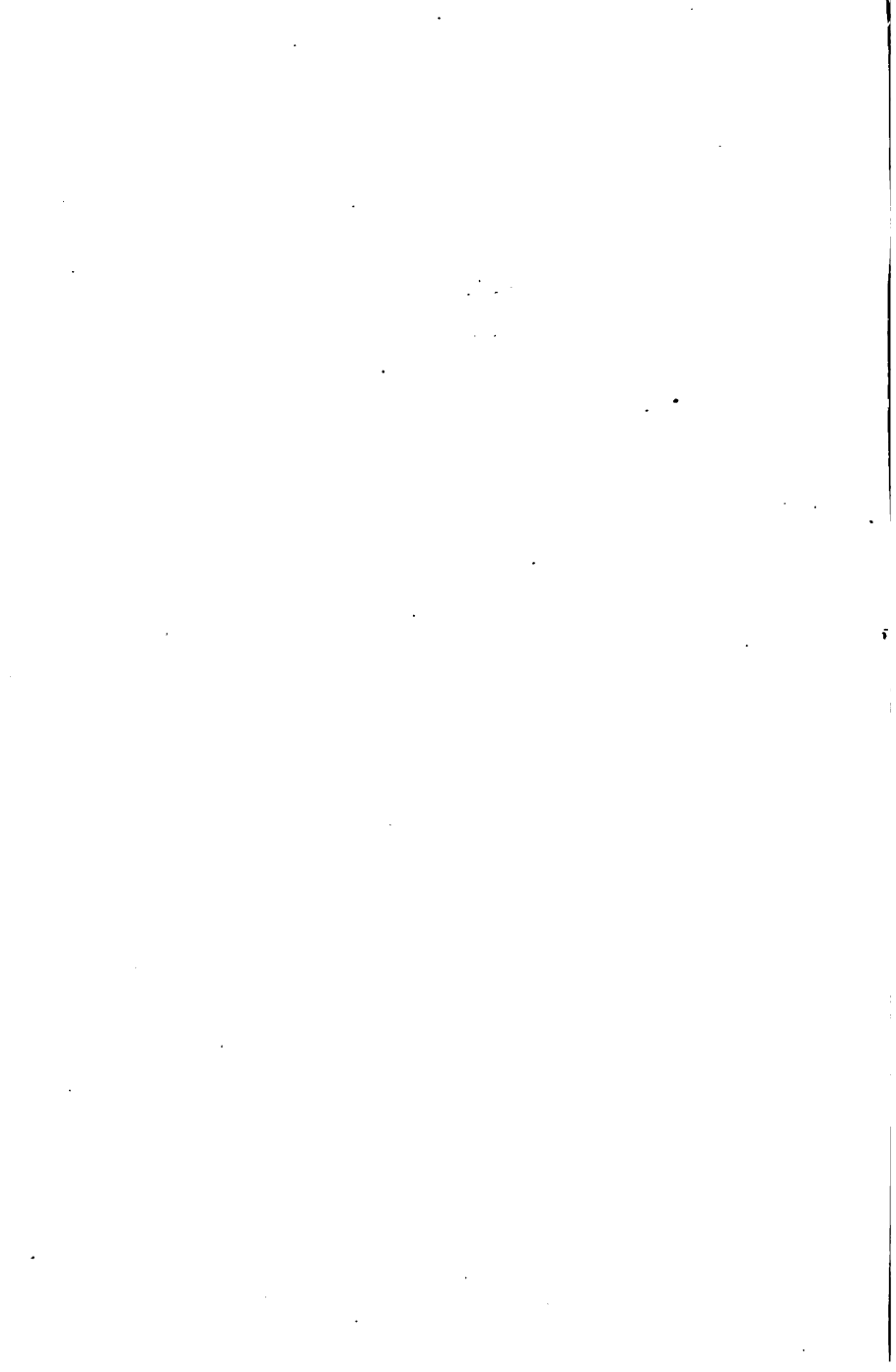
EVENING COMMERCIAL SCHOOL,

BARRETT STREET, W.,

October 1901.

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I

EDUCATIONAL EQUIPMENT FOR
BUSINESS

Short Statements by a few Leaders of Commerce.

THE following replies have been received in answer to the inquiry as to what was considered essential in the educational equipment of a young man intended for business :—

SIR THOMAS SUTHERLAND, G.C.M.G., Chairman and
Managing Director of the P. & O. Steamship
Company.

On the whole, I have some doubt whether the outcry for specialised education towards a commercial career is necessary.

Of course, if a young man knows that his career will lie in a certain direction, the sooner he applies himself to the special studies relating to it the better it must be for himself. But if no special career should be defined, and a lad has to take his chance of an opening wherever he may find one,

then I believe he is quite as likely to hit the bull's eye by the help of a good sound general education as by any other means.

For myself, I was brought up on the classics, which I am sorry to say I speedily forgot, but the habit of thought and perseverance which I learned at school must have remained.

What we may learn from the Germans, of whom we are always talking nowadays, is the art of taking pains in the minutest things.

A first-rate man of business is formed of various parts which are not the result of any peculiar system of education, but are due to energy of character and clearness of head, which must be, more or less, innate, but are qualities which may be improved by practice and steady effort.

SIR OWEN ROBERTS, D.C.L., J.P., D.L. (of the Worshipful Company of Clothworkers).

You ask me what I consider essential in the "educational equipment of a young man intended for business," and I answer in brief: A good general education, including a working knowledge of and familiarity with at least two modern languages, conversancy with the problems of economical science, rapid and intelligent modes of calculation, knowledge of modern history, and the rise, decay, and fall of industrial communities. Above all, a sense of honour and duty in all the relations of life, founded on conviction and principle.

SIR JOHN EVANS, K.C.B., F.R.S.

To become a good man of business requires, in my opinion, not only habits of observation and accuracy, but wider views than can be obtained by the ordinary kind of commercial education, though of course a good knowledge of the subjects usually comprised in such an education is necessary.

ARTHUR CHAMBERLAIN, Esq., J.P., Chairman of
Kynocks (Ltd).

For the really master man of business the following appear to be the necessary acquirements:—

1. A knowledge of the theory and principles of trade, including the following:—
 - The organisation of Offices and Factories, and the principles underlying the business of making, buying, and selling.
 - The Theory and Principles of Trade Unions, Associations, Trusts, Combinations, and Rings.
 - A knowledge of the chief causes affecting success or failure in business undertakings, with the application of the principles deducible from these to leading modern cases.
2. A general knowledge of Commercial Law, and of the more usual forms of agreement for work and wages, service, agencies, and buying and selling contracts. The law of Limited Liability Companies, including the duties of promoters, directors, secretaries, auditors, and valuers.
3. Sufficient knowledge of accountancy to open a complete set of books for either a merchant's or a manufacturing office, and to prepare trading,

profit and loss account, and a balance-sheet ; also to be able to start a system of cost accounts suitable for any business.

4. A knowledge of Shipping and Railway practice, rights, and duties, so far as they concern the conveyance of goods.
5. Two modern languages, French being compulsory as one of them, and Spanish, German, or Italian being the second.
6. Shorthand.
7. The Theory of Banking and Exchange.

Such knowledge as the foregoing is what is required in business, and is usually only learnt bit by bit at a heavy cost, so that the man of business has generally reached the limits of his working life before he has completed his commercial education ; and owing to the want of a codified system, business men continue from generation to generation to renew the mistakes of their predecessors and to repeat their experiments, and, after much tribulation, to re-arrive at their methods, their rules, and their conclusions.

ROBERT LEWIS, Esq., General Manager of the
Alliance Assurance Company (Ltd.)

In addition to a sound knowledge of mathematics, a study of the following subjects would be of great value to an aspirant to a leading position in the service of an Insurance Company :—

1. The elements of the law of Real and Personal Property, including, *inter alia*—
 - (a) Cheques and Bills of Exchange.

- (b) Joint-Stock Companies.
 - (c) Bankruptcy.
2. The principles of Banking and Finance, including a knowledge of—
- (a) The constitution and operation of the Bank of England.
 - (b) The Money Market generally.
 - (c) The Foreign Exchanges and the causes of fluctuation in rates.
 - (d) The National and Local Debts of the country.
 - (e) Currency problems.
 - (f) Investments generally, particularly those suitable for the funds of an Insurance Company.
3. The Principles of Book-keeping.

A knowledge of the principal European languages is useful and sometimes necessary, and so is the acquaintance with the history of commerce and the business methods of other countries.

It would be of incalculable benefit if young men could be taught at an early age to acquire the habit of being exact and methodical and to cultivate the faculty of organisation.

THOMAS F. BLACKWELL, Esq., J.P., D.L., Chairman
of Council of the London Chamber of Commerce.

I agree with all the recommendations in Sir Courtenay Boyle's Lecture, which I have read with interest and appreciation, and have little to add to them.

I think that, for a youth who wishes to become a junior clerk, a good clear and quick handwriting is of the first importance, next correctness and

rapidity in simple arithmetic. Shorthand and typewriting may be in many cases useful, and will sometimes lead to selection for higher positions in preference to those who do not possess these qualifications. In the same way modern languages, French and German, are most helpful. But of the first importance is the possession of industry, thoroughness, loyalty, and straightforwardness. He will then place duty to his business before amusement, and gain the confidence and goodwill of his employers and of all with whom he comes into contact.

C. J. STEWART, Esq., Chairman of Allsopps (Ltd.), late Clerk, to London County Council, and Senior Official Receiver in Companies Liquidation.

The most essential subjects in the educational equipment of a young man intended for business are, in my opinion, Law and Accounts. The study of the principles of Law generally, and Commercial Law in particular, will materially assist a man in coming to a correct decision on questions presenting themselves to him; and different as the processes of law may be in various countries, the same general principles will be found to permeate the laws of all civilised countries, whilst the increased facilities of communication and trade intercourse will tend to still further assimilate the laws of different nations.

Next in importance is a thorough grounding in Accounts; not a mere superficial knowledge of

Book-keeping, but a knowledge that will enable a man to grasp the bearing of figures which come before him. Such a knowledge, in my opinion, is best acquired by actual experience, and not by theoretical study, useful though the latter may be in the early stages.

To the above equipment there are two physical qualifications which are of extreme importance for success in life: the first a good set of teeth—in these days easily acquired—and secondly, a good stomach. A combination of these should endow a man with a good temper and a spirit of perseverance which will triumph over all obstacles.

T. J. BARRATT, Esq., Chairman and Managing
Director of A. and F. Pears (Ltd.)

I do not find it an easy matter to express an opinion as to what I should consider essential "in the educational equipment of a young man intended for business," because "business" is such an exceedingly wide term. A merchant's business and a manufacturer's business are so thoroughly dissimilar, and there are so many varieties of each, and subjects entirely desirable in the one may be unnecessary in the other. For instance, in many manufacturing businesses Chemistry would be very essential. Indeed, it is there where Germany has obtained so much of English trade, particularly in tar products; and thus, if *desirable* in all young men, would scarcely be considered ESSENTIAL in the occupation of the merchant.

If I may interpret your inquiry as a preliminary education in a general sense, the same to be supplemented by further and special education for the particular business for which the pupil is destined, I think I could not improve the list of subjects which I see you teach in your evening classes, nor could I supplement the very excellent remarks of the late Sir Courtenay Boyle in the Lecture.

I may say, however, that if I were preparing a son either for a manufacturer or for a merchant, I should regard travel as very essential and of the greatest possible value.



II

ENGLAND'S NEED OF COMMERCIAL EDUCATION

By M. E. SADLER, Esq., M.A.

THE question of Commercial Education is a great deal more complicated than appears at first sight.

Let us suppose the case of a father who, after carefully watching his son through childhood, is satisfied that the lad is fitted by natural aptitude, temperament, and disposition to become a good man of business. He resolves, therefore, to give the boy the best possible preparation for a business career. What should that preparation be? Before he can get an answer to that question, he will find that he is obliged to ask himself many more.

The first question which demands an answer is, "What kind of business do I mean?" Commercial life is almost infinitely various in its forms. He will find, therefore, that there is (or should be) necessarily great variety in the courses of education designed to prepare boys for commercial life. To decide on a course of education is a very different

thing from hailing a hansom. The next questions which the father will have to ask himself are: "What kind of education can I afford to give my son? How much a year can I spare for it, and for how many years? At what age at latest will the boy have to leave school and go into business? How soon after that will he be independent of what I can allow him?" In education, as in everything else, we have to cut our coat according to our cloth. And there are many different qualities of education on the market, and at very different prices. The answer, therefore, to this second batch of questions will depend on the parent's income, on the boy's prospects, and on the kind of opening which is likely to offer itself as a means by which he may enter business life. It is a fallacy to speak of "commercial education" in the lump, as if one sort of it would serve to fit a young man for any kind of business life, or for any grade in the business hierarchy, or to make the most of any sort of business opportunity. Commercial education is a noun of multitude. It covers a very great variety of different kinds of training—different in length, different in expense, different in the subjects taught, different in the kind of teachers competent to teach them, different in the stress laid on the acquirement of particular aptitudes and dexterities,—differing, too, according to the position in the business world and in general society which the youth has to be pre-

pared to occupy. "Some are born great"; others, like the Cherubic Pa in *Our Mutual Friend*, must expect to remain, throughout the whole of their business career, "servants still," not that (as all who have learnt to love and respect R. Wilfer know) they will necessarily be any the worse off in point of goodness or happiness for that. Others, however humble their origin, are born to "achieve greatness." We have first to make up our minds exactly what we mean by desirable "greatness" (is wealth-at-any-price "greatness?"), and then lay our educational plans so as best to help all to achieve greatness who are fitted to do so. But it is as easy by education to spoil a boy for life as to fit him for it. There is no cut-and-dried formula for "commercial education" which fits all cases and all conditions of men and women. The whole subject is a muddle until you have cleared up your aim.

If a father, anxious to give his son the best possible training for life, were to take counsel with a number of those who represent the best tradition in English education, I suspect that the outcome of their collective advice might be put shortly in some such form as the following:—

"First, decide as exactly as you can what you want to produce by your son's education; what kind of man you want your son to grow into; what principles you want him to live by; what kind of 'success' you would like him to attain to; re-

membering all the time what limitations are imposed on your choice by the boy's own physique, character, and intelligence, by your own means and social position, by the range of your own connections with the business world, and by the general economic conditions of our time. Next, having got as clear an idea as possible of what, under the circumstances, it is practicable for you to aim at, and of what your boy ought both *to be* and *to know* at a given age, in order to start in business life with a fair chance of achieving that aim, think out the kind of training (physical, mental, moral, and social) which will (according to the best advice procurable) be likely to end in giving you at the time appointed the product which you want to get. Remember that what you want is not knowledge alone, or energy alone, or good manners alone, or sharpness alone, or a strong sense of duty alone, or good physical condition alone, or firmness of purpose alone, but a due admixture of each and all of these ; and remember too that these things cannot be learnt out of books alone, nor in the shelter of home life alone, nor from a school-master's lips alone, nor from the companionship of other boys alone, but that in any course of education worthy of the name a number of different factors must co-operate—home and school, body, mind, and spirit, masters and boys, books and life, words and things, doing and thinking, lessons and games, discipline and interest, theory and practice, imagina-

tion and realism, example and precept, old and new, tradition and experiment, reverence for the past, and a bold readiness to reshape the future. All good education is a combination of antitheses. The great teacher is an artist who makes an harmonious whole out of elements which, as they lie before us separated by analysis, look almost incompatible and discordant. Yet all the elements are necessary, though in differing measure, to the completed whole. In nothing is it more mischievous than in education to fall into the falsehood of extremes.

“Next, having made up your mind what you want to get, be prepared to find that you can’t get it. What you want may not exist at all; or, if it exists, you may not be able to afford it; or in some other way it may be out of your reach; or you may not be able to get *in combination* all the elements of the training which you want your boy to pass through. Don’t despair. Don’t, in disgust at finding that your educational ideal is a counsel of perfection, put up with the first thing that offers and settle down into the old routine. Make up your mind quite clearly as to what you regard as essentials, and spare no trouble to secure them. What we want in England are parents who think independently about education, and make up their minds what they want education to do for their children. Too many of us live, so far as education is concerned, in a happy-go-lucky state, taking just what comes handiest, or

what our friends and acquaintances regard as 'the proper thing,' instead of having the sense and courage to look the facts in the face for ourselves, and to clear up our aims and what they involve. We often seem to regard schools as if they were pillar-boxes, all more or less the same, and the nearer the better. But, instead of that, schools are (or should be) instruments, delicately adjusted to particular ends. What we shall feel to be necessary and desirable in schools will correspond to what in our inmost hearts we regard as necessary and desirable in life, for school is a preparation for life—or should be. Too often we seem to regard it as an end in itself—which generally means that we leave it to go on mechanically producing something which some of our forefathers did consciously desire some generations ago, but which does not exactly fit the needs of the present day. Happily English schools can quickly respond to an effective demand on the part of parents and employers. But what is so often lacking is this very thing—effective demand on the part of those for whose children the schools exist. The more interest that parents take in the schools, the better the schools will be. Without that interest, they cannot really flourish. And the more closely the parents think out their educational wants, the more interesting *and the more difficult* a question will they find education to be. They will find that there are very many more factors in a

'good education' than they had any notion of. And they will find that there is much more latent wisdom in what seem at first sight to be dusty old traditions than they would have conceived to be possible. Also that in education short cuts are often a long way round. Also that what really matters about a school (assuming that it is well placed, sensibly built, sanitary in its arrangements, and sufficiently equipped with the means of imparting and gaining knowledge) is the tone of the school, the keenness of the boys, their standard of conduct, the unwritten tradition of the place, the devotion of the teachers to their work, and their readiness to give without stint, without public recognition, without hope of material return, even without certainty of success, that severe and searching, yet patient and loving, care to their pupils which is beyond repayment, and for which those who have received such kindness are in honour bound to be consciously grateful every day of their lives."

For a promising boy with an aptitude for business, a good constitution, a clear head, a strong sense of duty, and a determination honestly to make his own way in the world, there is no endowment like a *good general education*. But to be "good" the education must be fitting—fitting not only in what is taught, but also (and this is the more important matter) in respect of the general tone of the school in which the education is given. What is a fitting education

for one kind of boy is very unfitting for another. Different kinds of lives need different kinds of preparation. Different kinds of aptitude need different kinds of encouragement and of opportunity for exercise. Different kinds of character need different forms of discipline and different degrees of supervision. Moreover, the education given by a school is only partly an affair of lesson books and master's teaching. Some of our most important lessons we learn from our contemporaries, whether from their plainness of speech or from their example. Much of what we learn, we learn not from set lessons, but by associating with others. We are apt to catch our ways of thinking, our prejudices, our likes and dislikes, and our ideas as to what is "good form," from those among whom we are brought up. We arrive at many of our most important conclusions by chains of reasoning which are largely unconscious. We assimilate ourselves, in much that affects our thought as well as our conduct, to what surrounds us. A good school should make a boy sensitive to the opinions and standards of those about him, but at the same time should fortify his character so as to enable him to stand out independently in opposition to what is unworthy or degrading, without being either a prig or a mere eccentric. English education has many grave and flagrant faults, but it leads the world in its recognition of the fact that a school is something greater than a mere knowledge-

factory, and that in the web of influences which really constitute a system of national education, school-lessons play a by no means predominant part.

It would be risky, therefore, to send a boy who is intended for commercial life to a school where public opinion, openly or tacitly, regards commercial occupations as something to be a little ashamed of. On the other hand, it would be still more undesirable to shut up all our future men of business in commercial seminaries where business ambitions would be encouraged to flourish with hot-house growth. Here again, as in every educational question, we have to strive after the golden mean. And very much must depend, in all cases, on the strength of character and on the natural predisposition of the boy himself. What would be safe and invigorating for one boy would be demoralising to another. But one essential thing is that a boy should learn the habit of working hard, of "putting things through," of making the best of his powers, of seizing opportunities, and of "sticking to his job." Dilettanteism, fastidious amateurism, squeamish fancifulness, are fatal to success in a business career. But the seeds of these faults can easily be sown at school. When a boy will from the first have to make his own way in the world, it is a very risky thing to send him to a school where he will spend his school days almost exclusively among boys who will never have to

work for their living. In a varying degree similar dangers have always to be guarded against in the choice of any school. It is best for a boy to be brought up with a good many other boys who will have to start active life in the same kind of position as himself. At the same time, within certain limits, mixture of classes is good in schools, provided (1) that the mixture is not too great to allow of a very real assimilation of "sets" throughout the school; (2) that the intellectual material which the boys furnish is sufficiently homogeneous to permit of the economical application of the best methods of teaching; and (3) that the school possesses a definite tradition and character which suit the great majority of its *clientèle*, and that the exceptional boys who are drawn from other and very different kinds of home surroundings, though sufficiently numerous to give to it variety of interest, are not numerous enough to exert a determining influence on its prevailing tone.

Almost all educational questions turn out to be social questions. Conversely, many social questions turn out to be at bottom educational questions. The explanation of this paradox is that schools are both cause and effect of social conditions. We cannot turn the social current, at our will, into this channel or that, by just altering what is taught in the schools. At the same time improvements in schools, if congenial to the character of the nation, and if

cautiously introduced so as to avoid hurtful reaction, can most beneficially affect the whole of national life. But any individual citizen finds that, in planning out his son's education, he is bound, in many of the most important points, to accept the existing arrangements and to make the best of them. Happily in England there is plenty of freedom of choice for those who know what they are looking for. But it is a dangerous thing to bring up a boy quite out of step with his contemporaries. Uniformity is the last thing which I am arguing for, but the most fruitful kind of educational variety is variety rooted in unity. We cannot all afford to strike out for ourselves, to dissent wholly from the prevailing type of education in the country to which we belong, and to map out an ideal course of training for our sons. The personality of the teachers matters much more than the curricula of the schools, though there is often grievous waste of good material through obstinate adhesion to obsolete educational traditions. However, we cannot jump off our own shadows. And this is specially true of commercial education. If a father were to set out to-morrow to find an *ideal* course of education for a son whom he destines for a business life, I doubt whether he would find it anywhere in the world. And he would have more difficulty in England than if he had happened to be a citizen of some other countries which might be named. This difficulty cannot be overcome by the

simple expedient of sending boys to be educated from infancy in another country. Education is an essentially national thing (though, of course, there are many elements in it which are common to all nations), and without the risk of injury to much that is most valuable in character, an Englishman cannot prepare his son for *English* life and *English* business by educating him wholly abroad.

Nor again can we rigidly separate "commercial education" from other kinds of education, any more than we can wholly isolate business from the other tangled interests of life. We cannot, in a business man's life, say that, at some clearly defined line, his commercial interests or connections stop and his purely private or individual characteristics and developments begin. A man's aptitudes and character get more and more consolidated into a single whole. He may be more "commercial" on this side of his mind than on that; he may be more "commercial" at certain hours of the day than at others; he may be less "commercial" on one and a half days in the week than he is on the other five and a half. But the greater he is in business, the more fully possessed of business instincts, the more largely endowed with that gift of commercial genius which is so nearly akin to military and artistic genius, and which derives an intense joy from the strategy of business apart altogether from its actual pecuniary return—in a word, the more completely he attains to

the ideal of the great business man, the more impossible will it be for him to leave his business interests behind him at the office and lock them up inside his office desk. His brain will be active with business ideas. They will germinate in his mind far below the level of conscious thought. Something will touch the spring, and the ideas will burst out—sometimes as clearly defined as if he had given months to the labour of perfecting them. As indeed he has, but it has been unconscious labour,—the instinctive labour of a brain which finds in this its most congenial and creative employment. At times his mind will seem to lie dormant and inert, conscious of drudgery, deprived of the fire and consuming interest of creative work. At other times he will find his thoughts fixed on business the moment he awakes, and his mind will be steeped in a sort of business reverie as he drops asleep at night. The most casual thing will suggest new developments to him. The swift motion of a railway carriage will excite new ideas in his brain. He has a genius for business, as others have a genius for poetry, or for military tactics, or for dramatic creations, or for daring combinations of colour. But, as a man of business, he has to deal with a situation kaleidoscopic in its variations; obscured (to the eye of the unskilled observer) by all manner of shifting lights; changing from day to day, even from hour to hour; and the real significance of which can be

divined only by the instinct of genius, not by the more plodding methods of conscious reasoning. Among the factors with which he has to deal are men—men of his own time, men of all kinds and classes, men of many different countries. The more varied the men and the countries with which he has to deal, the more varied and intense must have been in some form or another his commercial education. But for certain kinds of business the man has to know, through and through, certain kinds of men, certain classes of customers; to concentrate on *them*; to specialise in the knowledge of *them*; to enter into their minds, like a dramatist into the minds of his characters, and to know (or rather to feel) beforehand what they are certain to do next or to want next. As the American said, "If I'm to make my living out of selling things to fools, it's my business to keep thinking what fools are likely to want." In many kinds of business it is as dangerous to be six months in front of your time as to be six months behind it. In others, six months' start means a fortune. Some businesses need a knowledge of high art; others need a knowledge of what is likely next to please "the man in the street." Different types of business have different constituencies. And it would be a risky kind of education which would train a boy to think in commercial things on a different plane from those among whom he deals, unless that power is accom-

panied by the much rarer one of being able, as it were, to think (and feel) at will on two different planes in rapid succession, and even almost simultaneously.

"But," some reader may interpose, "do you mean to say that commercial schools can create commercial genius?" Certainly not, but they can *foster* commercial genius and *promote its development*. What *anti-commercial* schools can do is to nip and discourage commercial genius, and even paralyse or pervert it. That is what is likely to happen in England, unless something is done to alter our present conditions. England is very rich—on the whole very comfortable, and rather inclined to affect the attitude that "business" is somebody else's concern. That state of mind, unless quickly changed, will be fatal to English commercial supremacy. The last thing I mean to imply is that business as business is the end of human life. A thousand times no. Life is a much wider and more complicated thing than livelihood. But livelihood is necessary to support life, and commerce happens to be necessary to support the life of the British Empire. Never before was it so necessary as it is now for us to look ahead and lay far-reaching plans for the maintenance and development of British commerce. Our rivals have come up hand over hand. They have applied scientific precision to the organisation of business life. Some of them have used, with consummate skill and fore-

thought, the collective power of the State in the furtherance of commercial interests. Under modern conditions of national life, *the* proof and outcome of a really scientific state of mind in a nation is the degree of intelligent interest which the nation takes in its schools. What we need in England is a great wave of wise educational enthusiasm. We need to maintain, with thriftily munificent endowment, a skilfully organised, interlocking, intellectually and morally 'efficient system of carefully-graded schools—each school with its clear aim in view; each school free within certain limits to think out the right way of attaining its aim; each school a separate organism with its own character and life, but feeling too—with profound conviction—that it is part of a national educational service, and therefore that it has to regard the collective interest of the whole as well as its own private interests. No bureaucracy, no centralisation, no rigidity of programmes: but self-government, with wise and friendly counsel from the centre, variety, personal responsibility—all held in unceasing check by a strong feeling of common service and by a clear understanding of the need for the voluntary repression, on the part of any school, of what would break the line of which it forms a part. Germany hopes to come to this state of self-ordered freedom at the end of a long period of severe discipline from above. America hopes to reach it as the outcome of an almost unchecked development

of individual varieties. We in England stand for the view that both tradition and experiment are necessary, and that some measure of control from above, as well as a good deal of freedom for individual growth, constitute the true conditions for the development of the more balanced types of educational excellence. Time alone can show which is in the right. The present writer is persuaded that the English ideal is nearest to the truth, *if carried out at every point with adequate efficiency*, and if maintained by that personal devotion to the interests of great institutions which is one of the greatest glories of English life. But merely to muddle along ; to rest content with mediocre attainments ; to allow wasteful competition in some places, while at the same time permitting wide areas to lie in a state approaching educational destitution ; to neglect the highest and most costly kinds of technical, commercial, and professional education ; to shirk the duty of thinking things out and of adjusting old methods to new needs ; to neglect the essential truth of education, namely, that quality matters more than quantity—to do these things is to court ruin. Because, in the inner spirit of it, the English ideal of education is the best in the world, there is laid upon us Englishmen the duty of lavishing on our education more thought, more personal labour, more private liberality, more individual loyalty, more intense intellectual analysis of the situation to be grappled

with, and last, but not least, a more intelligent form of State aid and State supervision, than are necessary under the conditions established elsewhere. Instead of that, we Englishmen know less and care less about what can be done *intellectually* by different kinds of teaching than do several of the other civilised nations of the world. In *intellectual* interest in school questions we hold a quite humiliating position as compared with France, Germany, Switzerland, or the Eastern and Central divisions of the United States of America.

All this has a very close bearing on the question of commercial education. Though I have laid great stress on the need for precision of aim in educational work, and therefore on the need for variety of well-directed effort and for different types of schools, I desire to emphasise no less strongly the facts (1) that *all* education has a common basis; (2) that all the different kinds of *commercial* education have certain things in common;¹ and (3) that commercial education, though some parts of it ought to be very highly differentiated and specialised and given in separate institutions, cannot flourish except as part of a healthy national system of education, and that it is indissolubly connected with other grades of education which are wider and less specialised in

¹ Many of these points are admirably set forth in the late Sir Courtenay Boyle's lecture on "Method and Organisation in Business."

their aim, and more liberal and disinterested in the subject-matter of their studies.

It behoves all who are interested in the welfare of commercial education in this country to labour for the raising of the standard of intellectual efficiency throughout English education—so far as that can be done without impairing (where they exist) the high standard of excellence in physical education and of moral training. To lose either of the two latter elements, which, with intellectual discipline, form the triad of true education, would be even more fatal than somewhat to neglect the claims of knowledge—claims which have been heightened during recent years by the development of science, by the new applications of science to industry, by the awakening of the world to the significance of distant markets, and by the ever intenser strain of international competition. We cannot afford any longer to rest content with our present average of intellectual attainment. Our hands have been forced. What we want is high intellectual attainment, *plus* strong physique, *plus* vigour of moral character, *plus* the trained intelligence which is able (according to swiftly-discerned need) either to act on its own initiative or to subordinate itself wholly to the collective welfare. We do not want commercial schools which will turn out tame experts whom employers can keep in cupboards on small salaries. We want young men of sturdy moral character ; vigorous in

body ; capable of forming independent judgments ; trained to observe accurately, to report exactly, to reason correctly, and yet to be capable of using with skill and good sense what I may call "imagination in the service of business." Also—and this is at least equally important—we want progressive employers who can appreciate the right kind of young man when they see him, who value a good preliminary education, and who make a point of giving promising employes the right kind of training inside the business, *i.e.* who won't let a young man of talent rust away in a siding, but will really take trouble to bring him out and give him a chance of getting wide experience and of *bearing responsibility*. The most valuable kind of commercial education is that which a man gets (and can only get) in an actual business house. A man has to learn a good deal of business, as a soldier has to learn a good deal of soldiering, *under fire*, and what in business corresponds to being under fire in the field is feeling yourself exposed to the real risks and to the unexpected and unprepared emergencies of real trading. You can't artificially reproduce in a commercial school the conditions of real business. It is like imagining yourself to have the toothache—quite a different thing from the reality. But just as a soldier needs some professional training before he goes out on service, so the future man of business needs some professional training before he enters practical business life. And for the

soldier and the business man alike, professional and specialised studies must be postponed until the learner has acquired a sound basis of general education. Premature specialisation is disastrous. It causes atrophy in the very powers which it is intended to cultivate. But when a young fellow has got the general education which a good school can give him, the proof that he has been well trained and not turned into a conceited prig is whether he realises that what he knows is an infinitesimal fraction of what there is to know, and that what he has really learnt at school is merely how to begin to learn. If he comes into business with a certificate from a school of commerce (being otherwise ignorant of the realities of his future calling), and holds up his head on high as if he were fitted at once to take any place in the business which he may condescend to accept, the best thing that can happen to him is to have his vanity humiliated at once by the discovery that he is very far from being a finished product, and that what he has learnt at the school of commerce are certain dexterities and certain pieces of knowledge which he has now to learn how to apply. But if he comes from his school training in a sensibly modest frame of mind, he will find that what he has learnt will be of immense use to him—provided, indeed, that he is allowed to make use of it. For this brings me to a hardly less important point in the argument—namely, that, as many business houses

are conducted at present, the value of this kind of preliminary theoretical preparation is not properly appreciated. It is possible that the fault is on both sides. The young student is probably puffed up with a little temporary vanity, and is apt to be for a time "a little too big for his boots." But the fault is by no means wholly his. It is in very serious measure the fault of many employers, or of some of the senior men among their subordinates. The heads of the firm may, in a general sort of way, be friendly to commercial education, but what may matter (to a young fellow entering their house) a good deal more than the attitude of the heads of the firm, whom he may hardly ever see, is the attitude of his immediate superiors and of the heads of the department in which he works. If these men are hostile to young fellows who come into the business with a larger range of knowledge and of general culture than they themselves possess; if they jealously thwart these well-equipped new-comers, and, as often as they dare, stand in their light and make the most of the blunders which in their inexperience they are sure to make,—then, under these conditions, many a young fellow will feel that it has not been worth while to spend time and labour on his commercial education; that mere seniority and common-place regard for old routine will help him more than originality of ideas and fertility of suggestions; and that commercial education may be all very well in

theory but is a fraud in practice. Protective mimicry is a great fact in nature, and there are business houses where it seems to pay to pretend to be dull.

Now, if English business is going to hold its own, it has got fairly to tingle with brains. It has got to encourage (at every point, and by means of every sort of inducement) originality of power, freshness of suggestion, scientific interest, and scientific thoroughness in the study as well of the smallest details as of the larger problem of commercial and industrial life. Signs of these qualities need to be encouraged, *even when their beginnings are displayed with the most aggravating forms of bumpiousness by the very young.* We cannot afford to waste originality of ideas, fertility of resource, intellectual interest in business, or the power of making startling innovations on old routine. Above all, we must put up with people who both think "shop" and talk "shop." Commercial education in America begins at an early age, because boys live in a sort of atmosphere of "shop," and see that success in business enjoys social recognition and respect. "Concentration of purpose is the secret of all great operations," said Napoleon. The same is true of business. But we in England, hating (and rightly hating) that form of pedantry which consists in too prolonged and unbroken attention to any one line of work or study, have fallen into the other extreme,

and too often elaborately pretend that we have no "shop" at all. That is a mischievous affectation, and one reason why (as compared with what happens in Germany) most Englishmen have so little intellectual interest in, or widely scientific knowledge of, the main business of their life.

But it is not enough that the older and responsible servants in business houses should sympathise in a general sort of way with commercial education. What is wanted is that they should be constantly in the way of imparting commercial education themselves. I do not mean that they should give lectures, or hold classes, in commercial schools. Some may do so; but the conditions of business life must often necessarily close the mouths of many of the men who are most experienced in some of the most important matters which are taught in commercial schools. There are many things on which a business man has to hold his tongue, for fear of imparting to strangers and rivals the secret of certain methods or connections which are the property of his firm. But the most effective kind of commercial education is that which may be given inside the business house itself—given not in set lessons or with a didactic manner, but imparted in such a way that the learner really learns the reason for and the "hang" of things. Only, in order to give such education, the experienced men must have the faculty of imparting their knowledge in the way

in which a young learner can acquire it most systematically and with the least expenditure of time. Here it is that the generality of Englishmen are far behind the generality of Germans and many Americans. Partly as a result of decades of good education, the Germans as a nation have a singular interest in methods of teaching. All sorts of Germans (not teachers only, though the Germans have a natural aptitude for teaching) have a scientific interest in the methods of imparting knowledge, and a very shrewd idea (the outcome of what they saw at school and have heard of since) how to arrange knowledge when you want to impart it. This does not come by the light of nature, though natural aptitude has much to do with it. It is really an art—an art with principles of its own, and this art is a favourite study of many Germans. The Americans are also very keen about the theory of teaching. It is said that they already teach golf far better than we do. All this has a close bearing on commercial education. The Germans and Americans (and, I may add, the Japanese) *like teaching*, appreciate good teaching, and understand the value of teaching more than we do. They are applying these things to commerce, and we are sure to see in time some very remarkable results.

The commercial education of a keen man of business ought to go on all through his active life. Like the education of a man of letters, it should be

a continuous aspect of his life's-work. Self help in education is an indispensable thing; but not less indispensable is the help which we get from those who know our business better than we do, or who know different aspects of it, or know it from a different point of view. Commercial education ought to be intertwined with a man's practical business career. A man who is actively engaged in business ought never to be "above" attending some class or course of lectures from which he can learn something to improve his efficiency, or to deepen and extend his knowledge of his calling. A young man who enters a business house at 15 or 16 ought to regard it as absolutely essential for him to carry on his education by attendance at evening classes. It would be well if firms made a much more general practice of encouraging their younger employés to attend classes in the evenings, and even occasionally in the afternoons or morning. I say *afternoons* or *morning* as well as evenings, because, in large towns, it is very difficult for a young man to get sufficient exercise and pleasant recreation if the greater part of his evenings are taken up with severe study at commercial classes. However, where there is a will there is generally a way, and it rarely does a young fellow more harm than good to have to go through a time of very hard work. It braces the character and makes a man of him. But much more could be done by business firms to encourage their younger

employés to go through a prolonged course of commercial education. Much depends on what is "the thing," and heads of firms can do much to make the younger generation realise how necessary it is that he should have a higher standard of intellectual attainment, and a wider range of commercial knowledge in English business.

To sum up, in a few short sentences, the practical conclusion of these remarks :

(1) We need in England a much higher level of average education for little children during the very critical years from three to nine.¹ Then is the time when a child's powers of observation can be best trained ; then it is that most can be done to develop intelligence on wise lines ; to fortify what is naturally weak, and to give pleasurable exercise to what is naturally strong, in the child's mind, body, and disposition. *Very much depends on the home.* Here, again, the results of wise education accumulate at interest from generation to generation. *Very much depends on the teaching which little children receive.* Small classes are indispensably necessary for the best kind of education for little children, but still more depends on the love of the teacher for the children, and on her natural and

¹ Very much has been done to improve this stage of education during recent years, but those who are most deeply interested in the subject are the most aware how much yet remains to be done in order to secure individual attention and appropriate intellectual discipline for each child, both in school hours and at home.

trained aptitude for teaching them. This is the common basis of all national education. We cannot take too much trouble to make this common basis as good as it possibly can be made. The real difficulties in the way are two: (i.) the immense expense of the kind of education I have been suggesting, and (ii.) the question whether, after all, for such a kind of education there are enough of the right kind of teachers "to go round."

(2) We need in England a great deal of very first-rate secondary education on modern lines, especially (though not exclusively) for boys between the ages of 9 and 16. There needs to be something little short of a revolution in our ordinary methods of teaching modern languages, and in the place held by the mother tongue, by English history, and by the knowledge of nature and of geography, in the curriculum of many of our schools. Our boys must be given a very keen and intelligent interest in the facts of modern life. To have such an interest, they must be made to realise how modern life is rooted in the past, and how far it is conditioned by the past. We must cultivate and refine their imaginations; we must widen and yet brace their sympathies; we must habituate them to the practice of accurate observation, encouraging in them independence of judgment, initiative in action, and variety of experiment. We English are in danger of forgetting the just claims of knowledge. At the same time let us not

make a fetish of mere knowledge. Above all (and this is pre-eminently necessary in a commercial country) let us develop in our boys a sense of responsibility to the community, and a feeling of strong *esprit de corps*. It would be a horrible result of "commercial education" if every one were taught that the highest end of life is to play selfishly for your own hand. The probable outcome would be—first, a cruel outbreak of physical violence, and secondly, pessimism. The true man of business knows that it is not impossible to serve his nation and his colleagues, while at the same time in due measure furthering his individual interest. Our schools—and not least our schools for the commercial classes—will need a high moral tone, and staffs of teachers whose personal example will serve as an inspiration to their pupils throughout life. This is by far the most important element in all education; but this is not the place in which to discuss its deeper bearings—a subject on which, indeed, "silence is often our best wisdom."

(3) At the top of a thoroughly efficient and "live" system of general and unspecialised secondary education we need specialised commercial schools and classes of many different types and of several grades. But these must work in very closely with the actual needs of business houses. And it is in the business house itself that a young fellow ought to get the best part (though far from the whole) of his commercial education.

(4) In order that all these different grades of education may work fruitfully together, we need to develop a much stronger interest in education throughout the length and breadth of the land. The most perfect system of education in the world (and ours, by general consent, cannot claim to be very tidily organised) would flag and droop in an atmosphere of general indifference. But strong public interest in education and the impression made on the public mind by a well-arranged and clearly intelligible system of national education react on one another. National zeal for the schools prevents the highly organised system from hardening into mere routine: the convenience and the obvious advantage of having an intelligible system of schools give zest and point to the national belief in the value of education. With us muddle is too often apt to produce paralysis of interest, but despair of searching and speedy educational reform would in turn only deepen the muddle. There is need in this country for a missionary movement on behalf of national education. It would clear the air and the issues if we had a period of prophets and propaganda.

(5) Educational reforms will be found to lie at the root of the most necessary social reforms. But educational reform does not begin to bear its full fruit until about twenty years have elapsed after its institution. And many of the causes which in

England must impede the rapid progress of commercial education, and hamper the developments of those kinds of education which are needed to equip young men for the increasingly intellectual tasks of modern business, are really of a nature which it will take a generation or more to sweep aside. They consist in rooted prejudice in favour of rule of thumb; in ignorance of what good teaching can accomplish; in inability to comprehend what is really meant by the application of scientific methods to industrial operations; in a lack of inherited respect for knowledge as knowledge; and in a too general want of intellectual interest in the problems of commercial life. Some of these characteristics, it may be admitted, are a perverse distortion of some bits of good sense. For example, people are right in distrusting shallow theories; teaching which is not really good, is generally very poor, mechanical stuff. There was much to be said for the old, leisurely, amateurish ways, *so long as we could afford to keep them up*. Knowledge unchecked by masculine good sense is apt to carry people into mischievous extremes; and there are many other things in life in which (if leisure allows) it is more worth while to take a strong intellectual interest than in the ordinary problems of business. All that is true enough. Change brings evil with it as well as good. But when change is inevitable, there is everything to be said for meeting it with a good grace, and

making as good a job as possible of the new conditions. English conservatism is in the bone, and does not need to be artificially protected by intellectual backwardness, and by neglect of systematic organisation on modern lines. The strongest argument for educational reform is, not that England may be made more like other nations, but that she may become strong enough to restate with effect the characteristically English principles of temperate compromise and fair dealing under the new conditions of international life.

III

MONEY AND CREDIT

By A. J. WILSON, Esq.

THIS subject is full of interest, not to say fascination, from a variety of points of view. One might deal with the origin and history of money, and discover therein much that would throw light upon the rise and fall of commercial nations and even of empires. It is not my purpose to touch this side of the subject at all. I see that a far more competent man, Lord Avebury, is to instruct you upon the history of coinage, and I should spoil anything he has to say by attempting to enter on the same field. My object is much simpler—to give you some description of the mechanism and why and wherefore of certain characteristics of our own money market at the present day.

And the first question that one has to answer is, What is money? In all our minds the word means primarily coin—sovereigns and the small change subsidiary thereto. The daily commerce of private

life is carried on in coin. Wages are paid and received in it, and housekeeping accounts, throughout England at least, in the great majority of households. Thus, in all our ideas, the word money is synonymous with coined metal—sovereigns and small change. Even the merchant or wealthy householder who writes his cheque thinks of it as representing sovereigns, and knows or believes that sovereigns can be got for the amount he specifies, if necessary.

Coin, however, plays a very small part in the larger transactions of business. I may even go so far as to say that the use of cash in the form of stamped discs of metal, of a certain fixed weight and quality, is decreasing year by year, except as small change and pocket-money, among all classes of the community above the wage-earner. Other instruments for effecting the transfer of proprietorship in commodities are more and more taking the place of cash, so that money in the City sense means whatever instrument, token, or expedient serves the most readily and economically to effect the transfer of property from one owner to another.

Consider what it would mean in the City of London were all the payments there made in the standard gold coin of the realm. I use the word standard, by the way, not in any controversial sense, or as implying that our gold coins have a magical fixed value irrespective of the cost of the metal they contain, but merely to indicate that by the

exceeding great care exercised in all British mints, the coins of England, and above all the sovereigns, are invariably, until worn down, of fixed weight and fineness. The world over a sovereign is known to be genuinely what it is represented to be—5 dwts. 3 grs. troy in weight or $\frac{1}{1}\frac{1}{2}$ ths fine gold; that is to say, it always contains so much gold and so much alloy to harden the gold and make it wear, no matter whether minted in one of the three Australian mints or on Tower Hill. Now the weight of one million sovereigns exceeds seven tons avoirdupois. Just imagine what that would mean were the daily settlement of accounts through the London Bankers' Clearing House to be made in these little discs. According to the Bankers' Clearing House returns the daily overturn of what the City calls money, but which is really credits and debits, rarely or ever falls below £20,000,000, and often it exceeds £40,000,000. Were the whole of the payments these figures represent to be made in gold, even supposing the coin could be passed from hand to hand, on an average three times in the day, it would mean that from fifty to a hundred tons weight in sovereigns must be in daily use. I believe that in Portugal not so long ago the merchants did go from door to door with barrowfuls of dollars, settling their accounts, but it would be physically impossible to handle in London such masses of metal as the weights I have given imply.

No such thing is attempted. The difficulty thus stated presents itself in an extreme form in the figures of the London Bankers' Clearing House, but it exists and had always existed in a minor degree everywhere since the world first took to pieces of metal to facilitate the barter of commodities between man and man. Therefore quite early in the world's history,—how early no one knows, but, probably enough, at least a thousand years before the Christian era,—what may be called faith money came into use, and men resorted to tokens, slabs, shells, or bits of paper, instead of metal, calling these money, although perhaps merely representative of a genuine money in silver or gold.

The only forms of substitutes for cash we need notice here are two—the one perhaps among the earliest, if not the earliest in modern use, *i.e.* bank notes, and the other bills of exchange; the former is, broadly speaking, for use in transactions completed locally, and the latter for employment in transferring at a distance, or a fixed future date, the rights to specific amounts of wealth as expressed by sums in cash. Paper in these forms constituted the money of bankers or dealers in credit from a very early age of the world's history. China is said to have possessed banks of issue nine hundred years ago. The greatest bankers of Europe in the middle ages were the famous Knights Templars, whose wealth led to their destruction by Philip the Handsome in

France, and they, I believe, had banking and exchange offices wherever their order had lodges.

The mention of this kind of money requires me to pause a little and look at the banker. Let us take him first in his more primitive form as an individual of wealth and probity, for he must have been trustworthy to get his wealth, who employed his own means in enabling his neighbours to carry on their business. His wealth, when thus used, may be described as fulfilling the functions of railway goods waggons. In an idealised sense he transferred the corn, wine, woven fabrics,—everything that a community produced,—from one owner to another, lending the producer the means to bring his commodity to perfection and to market, and the purchaser the wherewithal to complete the transfer of it to himself. The modern banker is merely a great joint stock twenty to fifty million power expansion of the earlier one.

Quite early in the history of banking in this country paper money in some shape came into use—promissory notes, bills of exchange, and so on. In the end of the seventeenth century, by the establishment of the Bank of England, State paper money in the form of Bank of England notes entered upon the scene. Those of you who have dipped into the history of England since the time of William and Mary may recollect that bank notes have frequently led to great panics and commercial crises. They

did so for a very simple reason. Examine a Bank of England note. It informs the possessor that the Governor and Company of the Bank of England promise to pay on demand £5, £10, £100, as the case may be. That is to say, the Bank engages its honour, capital, and credit to find in sovereigns the amount specified on the note the instant it is applied for. This is characteristic of all bank notes; they are promises to pay cash on demand—forms of credit that are accepted as money as long as the issuing bank is believed to possess the means to fulfil its contracts. Such a promise in ordinary times does not imply the holding of an equivalent number of sovereigns in the vaults of the bank to the amount of notes issued, ready to meet the notes when presented. All that is necessary is that a fairly adequate average minimum sum shall be on hand, so that the bank may be able to cover the known daily demands for cash and have a little over. When, however, the issue of bank notes was unregulated in England many banks were tempted, when business looked expansive and profits were progressive, to emit notes, sometimes for as small sums as 1s., much beyond what their resources warranted, and by and by the inflation or excess of paper money thus brought about induced doubt, fear, a rush for cash, collapse, and panic.

We can have no panics any more thus originating in England, although I am not so sure of the sister

kingdoms, where £1 notes still form the main portion of the current credit money in the hands of the people. The smallest note issuable in England is for £5. In England notes have fallen into disuse to a remarkable extent during the present generation. Various causes have contributed to this change, but I need mention only two. Country banks with note issues have gradually been absorbed by larger institutions with head offices in London. Under the charter of the Bank of England, no bank in London or within a radius of fifty miles of Cornhill can issue its own notes. Therefore those country banks that sold their businesses to banks with head offices in London had to part with their note issues. In most instances, however, these had dwindled far below the amount authorised by the Act of 1844. The Bank of England has authority to issue its own notes, not against gold, but against Government securities, to the extent of two-thirds of the nominal amount of any lapsed country bank note issue sanctioned under that Act. As the actual issues were very often less than half—sometimes less than one-third—the amount authorised, it follows that the Bank of England, by its replacement of lapsed issues, has actually somewhat increased the note issue in England, but it has not been able correspondingly to augment the amount of its notes always in the hands of the public or in the possession of other banks. Its actual note circulation is about £30,000,000.

This brings me to the other reason for the decay of the note—namely, the rise of the cheque as paper money. This instrument of credit forms the most refined and perfect substitute for cash in daily use hitherto seen. By the cheque system each customer of a bank becomes his own note issuer, and the quality of his note, thanks to its limited circulation, is put to an immediate test. If he possesses or can command at his bank the amount for which his cheque is filled up, it is immediately paid without question. Should he have drawn for more than he is worth at his banker, his cheque may be returned to him—the bank, in other words, does not pay. How many cheques are daily in circulation no statistician has ever yet attempted to ascertain; but we can guess, from the daily overturn of the Clearing Houses, that throughout the United Kingdom the total represented by them can seldom be less than £30,000,000, and may frequently be more than £60,000,000. All this mass of credit money—for it is a matter of faith on the part of those who receive cheques—they believe that the money stated on the cheque is available, and accept payment in that form without question—circulates without a hitch, and effects the transfer of property throughout the kingdom with what may be called scientific precision.

But is not the liability or risk of the banker as a holder of cash—gold—materially increased by this

form of paper money? He can never tell how much a customer may draw from him, or what the aggregate demands of his numerous customers on one particular day may be. Suppose several millionaires were to draw cheques for £1,000,000 each,—and I have seen more than one cheque of that amount in my time,—and that these cheques were passed over the counter with the demand, “Gold, please,” would the banker be always able to respond? I doubt it; but as a matter of fact—and here we come to one of the most remarkable characteristics of modern banking—gold is rarely or ever required in daily banking business for any except petty cash cheques, so to say. The modern banker is more and more becoming the nation’s ledger-keeper. Alike the current accounts of the petty tradesman in a country village or in a London suburb, and of the great houses of Rothschild or Baring, are kept by the banker. When a customer draws a cheque upon his banker, say for £100, the person to whom that cheque is paid hands it to his banker, by whom the amount specified is collected from the bank on which it is drawn, but no cash, no sovereigns, need pass.

Every day in the London Bankers’ Clearing House, and by similar arrangement in the provincial Clearing Houses, bankers’ cheques upon each other are thus offset. The A. B. Banking Company has to collect so many thousands of pounds in cheques

upon the C. D. Banking Company, and the C. D. Banking Company has so many thousand pounds on the A. B. Company. They each add up their totals and at the end of the day the bank that owes the other more than it has to receive gives a cheque upon its balance at the Bank of England to complete the transaction, the Bank of England being the banker of all other banks. By this method there is no necessity for cash, and very little for Bank of England notes. The whole transfer of debts takes place through the books of the bankers. The £100 or £10,000 that a man receives as the product of a cheque for that amount drawn by his debtor is passed to his credit, as it is called, in the books of his banker, and in the books of the banker who keeps the account of the man that paid the £100 or £10,000 appears a debit against him. His balance is reduced by the amount of the cheque, and that of the man who received it is correspondingly increased.

Here we have the mechanism of modern banking in its simplest form. There are varieties of sidings and branches, to again use a railway simile, that we might turn into, but I prefer to keep on the main line, and bring before you only the more striking features of money and credit as in daily use in business. It will be seen from the description I have just given that, so long as no disturbing elements enter in to derange the harmonious working of our

banks, it is impossible to suppose a conjunction of circumstances calculated to upset the equilibrium of any one of them. If all a bank's customers pay away only their own means, and if a banker never allows anybody to get hold of too much of his resources, such a thing as a bank failure would be an impossibility. The daily transactions of the world-wide commerce of England, its magnificent business as the Bankers' Clearing House for much of the world's commerce, might expand indefinitely without the slightest danger of any mishap, and a state of perfection could be imagined where every purchase and sale would be pure barter of commodities—the colour of gold need never be seen.

Unfortunately there are other considerations which must not be lost sight of, and that prevent us from ever feeling perfectly sure that the highly refined system of banking established in this country, the product of perfect confidence in their mutual solvency existing among banks, and of the perfect faith of the community, stands in no danger of misfortune.

I have talked to you about sovereigns and bank notes and cheques, but have said nothing about the quality or prices of the assets, commodities, stocks, shares, houses, lands, on which the huge transactions mentioned are based. Evidently bankers are not under the necessity of keeping any large amount of coin as a safeguard against the usual and legiti-

mate demands of their customers—demands over which they have in many instances practically no control. Safeguarded as they are by the cross payments of the multitude using their facilities, it yet might happen that one bank or two or more might be afflicted by a conjunction of circumstances that would exhaust both their available cash and their working balance at the Bank of England. The latter is ordinarily even more important than the cash in the safes or tills, because upon its amount the end of the day square-up depends. Suppose the bank C. D. to find itself due to other bankers in the Clearing House at the close of a particular day £500,000 more than the amount of its balance at the Bank of England, what would happen? Would it stop payment? Not necessarily, for presumably it possesses securities—British Government stock, consols, India stocks—that it could pawn at the Bank, so obtaining the money. If, however, two or three banks were in this position, not for one day, but for several days or weeks, it is obvious that they would be obliged to confess their weakness in a manner that might excite apprehension about their stability. And the moment the public, the customers of the banks, become afraid that sovereigns will not be forthcoming when wanted, the whole delicately-adjusted fabric is threatened with collapse.

There lies the one abiding danger of modern banking. It is excellent and perfectly harmonious



in its daily functions, but the wealth of every bank consists of assets that are not themselves really money—cash. You draw a cheque for £100, and the recipient has £100 placed to his credit. The bank that transfers and the bank that receives it make a book entry—nothing but the bit of paper passes. What might the £100 have consisted of? If the drawer of the cheque were a man of substance it might be represented by money—he calls it money—lying at his credit with his banker, or it might be money borrowed from the banker upon the security of stocks placed in his hands; or yet again, it might be part of the proceeds of a credit opened with the banker upon the strength of a bond tendered by third parties. It need not be anything substantial in the sense that we who handle coins daily count substance. At best it is a compound of thousands of similar debits and credits represented by commodities, by stocks or shares pledged, by advances on security. Multiply the one transaction by thousands and millions,—realise if you can that your good balance at your bankers is the banker's debt to you, which he uses as credit for his own profit,—and you begin to understand what banking wealth consists of. It is debt.

If you are a simple depositor of a bank, putting in month by month, or year by year, or half-year by half-year, the surplus of your earnings over your expenditure, the bank owes you that money—under-

takes to give you cash at a moment's notice. But the bank lends the means at its disposal in order to make profits; it cannot live by merely keeping the books of the nation and transferring debts from one to another. It gets your deposits and the deposits of others, and lends them upon the market, as it is called. This is really what "money" means in the language of the City; it is banking credits, the deposits, the proceeds of advances made to those who borrow, whether upon tea, or corn, or cotton, or on railway stocks or mining shares; and what one banker lends out of his resources another banker may receive as deposits, does receive, and in his turn lends again, so that behind the simple, automatic daily business routine of paying and receiving which the banker carries on there is an intricate network of advances, of debits and credits, lendings and borrowings, each one of which may represent or be represented by good assets, and also may not. One of the characteristics of the banking of the day is that everything a banker possesses is, potentially and in practice, now and then actually money. The man who possesses an investment of £10,000 in London and North-Western Railway stock can get at least £8000 from his banker on the security of that stock, and if he pays that £8000 away it is money that another banker may lend. Tens of thousands of people do in this fashion obtain advances on securities of all descriptions, and in pro-

portion to the aggregate amount of credit thus brought into existence by banks is the increase in the supply of "money" on the market—bankers' money that is.

Now, when prices are advancing for public securities, or any commodities such as iron or cotton, it follows naturally enough that the most careful banker is bound to advance more money against a particular security than he did when prices were low. Ten thousand pounds nominal in consols at 112, to use a favourite illustration of mine, commanded more money in the shape of an advance from a banker than the same nominal amount at 98. The rule, I believe, is for bankers to exact a 5 per cent margin upon consols—that is to say, if the market price is 112, the banker probably would not lend more than 107 per £100. If it is £100, he would not lend more than £95. Just try to conceive what these ups and downs of price may imply to the vast business done by our great modern banks. Their aggregate deposits or liabilities, debts to customers, depositors, and others, are probably £700,000,000. Perhaps one-third of this amount has really been created by advances made upon various kinds of securities and utilised as money in the market.

As prices go up the loans made by bankers on particular nominal amounts of a security can be increased; but try to imagine what must happen during a period of contraction, when prices shrink

and shrink. One obvious result is a lessening of the supply of bankers' money in the market. The borrower can no longer obtain the same amount as he did before from his banker on any given security, because it has fallen in price. He feels the "pinch," as we say, and by and by the whole market feels it. Many in this country know what happened throughout the rural districts as the result of a prolonged agricultural depression and the fall in the value of landed estates. Not a few small country banks have been destroyed by the shrinkage. They made their advances honestly, and as they thought prudently, in the time of inflation; but as values went back and back the land fell into their hands and was unmarketable, and gradually their assets were used up. The same thing might happen with other descriptions of security—is happening now in fact; and it is at junctures like these that we come back again to the primitive and only solid basis on which credit rests—cash, gold. That is the ultimate test of solvency everywhere. As long as barter goes smoothly nobody requires gold; the stock of it may dwindle, within certain limits, in the Bank of England and in the tills of other banks without attracting attention. But as the values on which credit or bankers' money rests shrink, bankers' means become more restricted, and the tendency increases to fall back upon cash—metallic money.

Admitting this tendency, it points to an ever

present danger existing within all banking systems. It follows that banks ought to always possess some reserve of gold in excess of the amount necessary for the conduct of their daily business—a gap-filling fund. I say banks, but unfortunately the habit in this country is for all other bankers to rely upon the stock of gold held by the Bank of England alone. Some of them, I believe, have in recent years begun the accumulation of small hoards of sovereigns in their own vaults, but there is no evidence in their balance-sheets that this necessary insurance fund has made much progress. Hence when a time of doubt or credit stringency arises all eyes turn to the Bank of England's stock of gold. Should it be large, men's minds are at peace; but if it be small and show a dwindling tendency, especially through exports of the metal, then nervousness takes hold of merchants, bankers, and others interested.

It has long been a contention of mine that, at the best of times, the reserve of gold in the Bank of England is none too large, for we must recollect that the first liability the Bank has to meet with its gold is that upon its own notes. Last week (October 24), for example, the total amount of its notes issued was about £49,000,000, part being issued against Government debts, and its total stock of gold was under £33,000,000. On this basis, therefore, the gold in the Bank of England, including till-money, represented but about 13s. 5d. per pound of notes in

existence. Only about £30,000,000 of these notes, however, were in the hands of the public. Even so, the Bank would have very little money over after meeting all its notes in circulation were they to come in for payment.

Such a contingency never arises or can in actual fact arise, and I only give you this illustration to enable you to see how delicate and sensitive the fabric of our Money Market is, for the Bank of England is bound to supply gold to all holders of its notes on demand.

Now its stock of the metal is liable to reduction through two important yet usual and ordinary causes—first, advances in the prices of commodities throughout the country and advances in wages produce an increased demand for metallic currency. More cash is required for the small daily and weekly demands of households and the wages bills of employers of labour.

Again—and this is the most important point—certain conditions in our foreign trade, and certain seasons of the year, often give rise to demands for gold to be exported to balance the temporary mercantile or financial indebtedness of the country, gold being the one commodity in the world that is always saleable, and everywhere in demand. In the autumn, for example, we are nearly always called upon to find gold for export, because that is usually the season when our heaviest purchases

abroad take place. Our great cotton industry is then laying in its supplies of raw cotton from the United States, from Egypt and India, and the demand for luxuries against the festive season at the end of the year always about this date enlarges our temporary indebtedness to France and to other European countries. The state of our own harvest also occasionally has a sensible influence upon the amount of our foreign indebtedness, though not specially in the autumn. It is therefore necessary, on mere ordinary business maxims of prudence, that the Bank of England should always possess a surplus stock of gold, so that it may meet excessive demands of this description without inconvenience to business.

Heavy exports of gold, caused by a temporary lopsidedness in the trading balances between this country and other countries, always disturb our market, by causing fears lest we should not have enough of the metal left for our own daily wants, let alone for insurance against credit scares, and they generally lead to advances in the bank rate which you often read about in the newspapers. I will try to explain the wherefor. When gold goes away it means that some of the banking credit I have spoken of is withdrawn from the market. A banker receives an order to ship abroad so much gold—say £500,000. To procure that gold he has to withdraw credit or bankers' money to an equivalent amount on loan by him in the market, and use the

means thus obtained to pay for the metal. The withdrawal of credit, in this manner clean taken out of the country, reduces the supply of money in the City, and when money is short it becomes dear, just like any other commodity.

It is also made dear by mere apprehension. People who possess means to lend may hold back from lending when they suspect that difficult or dearer times are near. They "hold their hands," as the current phrase is, and in doing so may still further shorten the market supply. Then borrowers bid against each other for the resources available, and rates of interest and discount advance.

The difference between interest and discount, I may explain, is simple to understand. Discount is the rate per cent per annum deducted from money lent at the time of lending; interest is the sum paid at the end of certain fixed periods for the use of money lent some time before. Thus, if a man has an overdraft from his bank of £1000 at 5 per cent, the bank charges this rate of interest upon that overdraft at the end of the three months or six months, as the case may be, and calls upon the customer to pay it; but if a man sells a bill of exchange for £5000, payable three months hence, the rate of interest charged for the money lent on this document is deducted at the time of sale. In other words, the bill is discounted, and the proceeds are handed over minus the interest charged.

To get back to where we turned off, bankers' credits lent for a day, or a few days, or a fortnight, are sometimes very cheap, while the interest or discount charged for longer periods of one, two, three, or more months is high. This is a state of affairs that frequently arises from the cause just stated—the fear that greater dearness still is approaching. Bankers and other holders of market money will often lend their balances for a few days for next to nothing rather than take engagements to be liquidated months ahead, just because they expect the market to harden.

When such a state of things arises, and when the Bank of England finds it necessary to, again speaking colloquially, tighten up the market, it often sends out and borrows part of these floating balances, as they are called, for a fortnight or a month upon its own stock, so as to force short-loan rates up and to make any meditated advance in its minimum discount rate effective.

What is the use and meaning of raising the Bank's discount rate? We often read about it in the papers. "The Directors of the Bank of England to-day advanced their rate from 3 to 4 per cent, or from 4 to 5 per cent," we learn; and at other times the reverse process goes on: "The Directors at their weekly meeting on Thursday reduced their rate from 5 per cent to 4 per cent," and so on. These movements are governed by the law of supply and

demand, as applied to that precious stock of gold upon which all our national and imperial banking solvency turns. The stock of gold is like the barometer, indicating the degree of pressure by the condition of business upon our available credit resources. The effect of raising the rate is, in times of difficulty and apprehended scarcity of gold, to first stop the foreign demand for the metal, by which we are made nervous, and next to draw gold in from abroad, until we feel the Bank's reserve strong again. This is rather an intricate story, but I will try and explain it to you.

Money—ay, even gold money—is like water, and finds its level always in the world's markets. The world, too, is now so very small,—“all in the same street,” as the saying is, thanks to the rapidity of communication between markets through the use of the telegraph,—that this levelling is accomplished very swiftly. Bankers all over the world are in daily instead of weekly, monthly, or six-monthly touch with each other, and should the surplus funds in one market be required in another, all that is necessary on the part of the market in want is to bid a price for the money in other markets sufficiently high to draw it in. This is what the Bank of England does when it raises its rate of discount. Suppose the rate of discount to be $2\frac{1}{2}$ per cent in Paris and also $2\frac{1}{2}$ per cent in London, the two markets will be in a state of equilibrium, and no

temptation is offered to the one to send its surplus money to the other. Let the circumstances so change, however, that discount in London is 5 per cent, while in Paris remaining at $2\frac{1}{2}$ per cent, then French bankers and capitalists with free money at their command are tempted to send it to London in order to invest it at the higher rates. It is the same with any other market. And movements of credit and gold of this kind always take place when they pay, although no money market in the world is so absolutely free and unrestricted in regard to the coming and going of gold as our own. The Bank of England must always give sovereigns for its notes without charging any premium whatever. It is not so in France, and hardly so in Germany. The Bank of France may charge a premium on gold, may pay its notes in light or underweight gold, or even to a certain extent in silver, and so can put hindrances in the way of export of the yellow metal totally unknown to us. Our market is open because the bank note must always be cashed in gold on demand, and consequently business of an international kind, involving the transfer of the right to claim gold in payment of debts, has centred in London to an extent unparalleled in the history of any other great capital.

This, I contend, is one more reason why it should be the study of our bankers always to possess, either in their own safes or in the vaults of the Bank of

England, a sufficient surplus stock of this metal, which is in such universal demand, as would enable us to meet emergency requirements without disturbing the entire commerce of the country.

People often ask me why all the traders throughout the kingdom should be punished by having to pay 5 or 6 per cent for the use of bankers' money in their business, just because New York or Berlin, or Paris or Petersburg, buy £2,000,000 or £3,000,000 of our gold. The answer is simple enough. Our money market is so constituted that its tendency always is to work down to a minimum basis of cash, and when the minimum is threatened, the only resource it has is to raise the price at which its floating capital can be obtained by all and sundry, in order to protect itself and bring in a fresh supply. Necessarily this advance must apply to the whole country, because were discount in Manchester, Birmingham, or Bristol to be 3 per cent, while in London it was 5 or 6 per cent, the foreign demand for gold would be worked through these cheap places upon the London market, and it would go away in spite of anything London could do. Thus the attempt to attract the metal and make ourselves safe again against possible sudden and heavy demands would be defeated.

I am afraid the latter portion of this address has been rather abstruse and intricate, but it is difficult to explain briefly, and at the same time simply, the

forces at work in shaping the ups and downs of our stupendous credit market. If, however, any of you find the subject interesting, it will be to your advantage, and a great help to a complete understanding of this subject in its practical everyday aspect, if you follow up this brief sketch by procuring and reading the late Mr. Walter Bagehot's *Lombard Street: a Description of the Money Market*. There is no book of the kind like it in the English language.

IV

METHOD AND ORGANISATION IN BUSINESS

By SIR COURTENAY BOYLE, K.C.B.

YOU have all heard the story of the young man who, when asked if he could play the fiddle, said that he did not know as he had never tried. That was an expression of diffidence on his part which did him great credit. I cannot help thinking that there are very few men, or even women, over twenty years of age in this room, or out of it, who, if they were asked whether they could do business, would not rather resent the question, and answer, "Yes, undoubtedly."

The Technique of Business.—Now my experience is that in business there is as much technique to be learned, as much method to be acquired, as there is in any other sphere of life. You can learn how to do business just as you can learn how to play chess or cricket. *Mr. Punch* to-day puts the matter very well. He says, speaking to a lady, "Incompetency is a gift of heaven, but habits of business can be

acquired." Business varies enormously. The business of a solicitor's office differs from that of a banker's. The business of a manufacturer differs from that of a merchant. The business of a wholesale dealer differs from that of a retail dealer. But through all kinds of businesses there runs a system of method and a system of technique which is useful to acquire by all those entering a business life.

The Observance of Simple Rules.—You, Mr. Debenham, are a master of business. You will probably agree with me that the best training that can be given to young men and young ladies is that which is given by the great commercial firms of this Metropolis. But I think you will agree with me also that the neglect of some of the most ordinary and simple rules leads to inconvenience, if not to actual disaster. It is astonishing how often some little disregard of what may appear so simple a proposition that nobody would demur to it, or consider it anything but commonplace, has caused considerable trouble. Recently I had occasion to know that a man very high up indeed in the affairs of the world caused considerable inconvenience because, when he escaped from the trammels of those young gentlemen who look after him, he insisted upon sending very important telegrams without keeping a copy of them. Some time ago I ventured to put into a little volume certain "*Hints on Business*,"¹ and I have been very

¹ *Hints on the Conduct of Business*. Macmillan, 3s. 6d.

much twitted by some of my friendly critics in the press for some of the elementary facts I have brought before the notice of my readers. But there is no rule so simple that its observation is not important.

The Opening of Letters.—For instance, it may seem a very simple thing to open an envelope. One very common way is to use a finger, which often results in cut fingers and much pain. There is another way—to use a sharp penknife. By this system it is by no means uncommon, if there is a cheque enclosed, or an important communication, that the cheque and document get cut and torn in the act, and a very considerable inconvenience is caused thereby. The better way is to use a blunt bone or metal opener, with a moderate point and not too sharp an edge, care being taken not to tear the enclosure at all. It is also very important to see that nothing is left in the envelope—a very simple but a very important precaution, the non-observance of which may lead to a troublesome and unsuccessful hunt for a document which has been thrown into the waste-paper basket. I myself have often, by neglect of this rule, caused great inconvenience to myself and others.

The Addressing and Despatching of Letters.—We ought to be most careful with regard to the addresses of those to whom communications are sent. The old Romans, whenever they wrote a letter, always

put at the beginning, "From So-and-So to So-and-So . . . Greeting," and put the date at the bottom of the letter. In England we observe a somewhat different principle. We put the date at the top of the letter, and put at the bottom of the letter a signature which may or may not be legible. Very often we entirely omit to say on the face of the letter for whom it is meant. Consequently, if the envelope is lost, and the letter begins, "Dear Sir or Madam," or something of that sort, it is difficult to find out for whom the letter is meant. The simple method of putting at the bottom of the letter, "Sir Courtenay Boyle," or "F. Debenham, Esq.," is easy to follow, and saves much trouble. All of us have read stories of the great inconvenience occurring through the wrong person receiving the wrong letter. A letter which was meant for Miss A. has unfortunately been received by Miss B., and there are tears and perturbation in consequence. This occurs in fact as well as in fiction; therefore, those dealing with business letters ought to be most careful to see that the address on the face of the letter corresponds with the address on the envelope. Those who do their own correspondence should also note with the greatest care that the right letter is in the right envelope. Not very long ago a very serious trouble—I will not say an international trouble, but still a very serious trouble—took place because an important despatch which was meant for Washington

got into the China postbag. There was a delay of some fifteen or sixteen days before this very important despatch could be got back. It was a mere little bit of carelessness on the part of the gentleman concerned in putting the letter into the wrong bag.

There is another very simple rule. If you send a letter by hand, always say whether an answer is required, and every messenger should ask whether a reply is expected; otherwise, at least a day's delay may occur.

We ought to be very careful in being perfectly certain that we are corresponding with the right person. We have lately developed the system of communicating a great deal by telephone. Years ago, when I was in Ireland, before the method was thoroughly understood, the butler of a noble Lord who lives in the outskirts of Dublin, rung up a house in Dublin, and said, "The family is 'a-comin' in to tay." "Who are you?" "The family is 'a-comin' in to tay," came back the answer in the inimitable tones of the Irish butler. "Who are you?" "The family is 'a-comin' in to tay." This was repeated several times, until at last the recipient of the message, failing to learn who addressed him, shouted back, "I don't care a snap for your tay; I'm the sergeant of the Pigeon house fort."

Confirmation of Telegrams.—If we send a telegram (especially if we make an arrangement by telegram),

we should always have the telegram acknowledged, and the arrangements confirmed, so as to see that the orders, directions, and plans made are thoroughly understood by the person at the other end, and that those plans will be carried out. Recently, in South Africa, a very considerable difficulty and even danger was produced, because an officer, who had given directions by telegram, thought those directions would be acted on, whereas the recipient did not understand the order, and did not carry out the instructions. Always, therefore, have telegrams acknowledged and confirmed. Always obtain an answer to say that the proposed arrangements are appreciated, or that the conditions offered are accepted.

The Importance of Accuracy.—I pass now to the important question of accuracy. My experience is that we all of us are tempted to be content with an inadequate amount of accuracy. We should digest the information we have received. Sift it; test it; make it our own. We should not take as gospel truth that which somebody has told us. It should be tried by experience, and before used, proved, as far as we can prove it, to be accurate. There is a story of a missionary who had read something and heard something about the origin of Woman. We all know that a rib was taken from our first parent, and beautiful woman was created. The missionary got it into his head that in consequence a man had

one rib less than a woman. He was expounding this theory of creation to an Oriental potentate, and confidently asserted this proposition. The potentate sought immediately for two of the thinnest of his subjects, and then said, "Now count their ribs." The missionary was much discomfited. Test your information. Be sure it is accurate, and do not use it until you are perfectly satisfied that you are right. How often have we heard this: "I see So-and-So has been appointed to an important place;" whereas the fact is that someone had announced the *rumour* of an appointment—a very different thing. There are some people who are inveterately inaccurate. Some men—I do not think young ladies—are so constituted that they cannot be absolutely accurate. They must what we call "embroider," alter, or improve every statement they hear. The information which is given us—in a newspaper, for example, though I am one of those who always try to believe what I see in a newspaper—ought to be tested by every means in our power. If we make use of that which is improper, inadequate, and inaccurate, we are sure sometime or other of getting into difficulty. A learned Professor, a friend of mine, a very clever man, who was given to boldness of statement, recently talking about his experience as a boy, in the presence of the Provost of his college, happened to say, "Well, I was never flogged but once, and that was for telling

the truth." "Well," said the Provost, "you cannot say it has not cured you."

Moderation of Statement.—We should understate a proposition rather than overstate it. In business, as well as in social arrangements, it is far better to be a little bit below that which we wanted said than to put our proposition or statement too high. Half the quarrels in the world—public quarrels, quarrels between men, quarrels between ladies, quarrels between States—are due to inaccuracy of statement, and the misuse of phrases too strong for the occasion, causing an amount of irritation and vexation which is entirely foreign to the intentions of the speaker or writer, and which a little care in using perfectly accurate phrases would avoid. Always, therefore, let us say a little less rather than a little more than we mean, and above all things, in business and social intercourse, avoid adjectives like poison.

Avoid Ambiguity.—In writing and speaking the English language it behoves us all to beware of its ambiguity. It is a most ambiguous language as compared with Latin, French, or German, and certainly as compared with Greek. It is almost impossible to lay down any rule or regulation, still more to make any laws, which are not capable of more than one interpretation. So, when we write a letter of any importance—ay, and even a letter which does not seem to be of much importance—we should try to make the meaning perfectly clear to ourselves, and

spare no pains to make it clear also to the recipient of our letter. This sort of thing is done very often—"Write me to the old place." No answer is received, because the recipient has completely forgotten where "the old place" is. Delay, therefore, and even difficulty, may ensue. "Let me know whether Jack is in town." I remember once receiving that letter from a great friend of mine. I put myself to an intolerable amount of trouble to answer it with regard to one "Jack," and then found that it referred to a totally different "Jack" altogether. It would have been very easy to say, "Is Jack Robinson in town?" "My dear Jane—Come to tea with me on Tuesday. Yours affectionately, Mollie." No address, no date, no time, no place. Let us presume, for the sake of argument, that the letter reaches the right Jane, but, unfortunately, is not put into her hands until the Wednesday morning. Naturally she thinks the invitation is for the following Tuesday, and so on that day puts on her best frock and goes to Mollie's house, finds her out, and gets no tea. Why not have said, "Dear Jane—Come to tea at five o'clock on Tuesday, November 13th." I remember a case which was brought before the public some time ago. A man of very tender heart and sympathetic disposition received a telegram—"Rose died last night." A favourite daughter was called Rose. It affected his mind so much that it brought on heart complaint, and he died. The

telegram did not refer to Rose, his daughter, at all, but to a totally different person. A little bit of accuracy would have avoided such a tragical result as this. One cannot be too careful over "trifles."

If we write a letter (especially if it is a business affair), first of all we must be sure that we understand it ourselves. Then be sure that our correspondent will understand it : we ought to try to put ourselves in the place of the person who receives the letter,—try to ascertain as far as we can that he will understand that which we wish to convey, and that we ourselves know what we wish to convey. Very often both rules are broken.

When going on an expedition we should make a list of the things we shall require. We should write it down and think it over. I remember an otherwise very pleasant cricket match in Ireland from which half the pleasure was taken because someone, whose business it was to attend to it, forgot to take the bails. That is a trivial instance. In the battle of Waterloo, when Kellerman's cavalry charged round—but never broke—our squares, and were for a time masters of our guns, if they had had nails with which they could have spiked those guns they would have done incalculable damage, and the heroic task of the Duke of Wellington would have been even more difficult than it was. Directly they retired our guns were re-manned, and the effect of the cavalry charge was not what it would have been

if an important and portable implement had been available.

Promptitude.—I pass on to the importance of promptitude. We should do what we have to do at once. In a clever and witty American book I was lately reading the principle is thus laid down: "Do to the other feller what he would do to you, but do it fust." We should deal with our letters promptly. Some people put their correspondence into a despatch box, and trust that the letters will answer themselves. In a percentage of cases they do, but in a large majority they do not. A man who does not answer his letters is very unlikely to be successful in his progress through the world. The day's work must be done in the day, and there must be no arrears—they will only accumulate. Each day has its work, and if you leave part of Monday's work till Tuesday, then Tuesday's must go till Wednesday, and so on. Postponement adds to rather than diminishes our labour.

Never Anticipate Difficulties.—But there is a *per contra* to this. We ought not to anticipate a difficulty, or to make up our minds as to what we are going to decide in a contingency which has not yet arisen. A difficulty, when it arises, must be dealt with, but we ought not to presume that it is necessarily going to arise. Give time to a question if it requires time, but not otherwise. If a matter can be decided on Monday as well as on Tuesday, settle

it on Monday ; but if you think that by Tuesday or Wednesday something might occur to put you in a position to decide the matter better than on Monday, defer the decision until then, not otherwise. In cricket a wise captain has his relief bowlers ready, but he does not decide whom he shall put on as his first change till he sees what happens to his first pair.

Consider the Effect of your Actions.—The effect of any steps we take, not only on ourselves but on other people, must be carefully and thoroughly considered. The other day we had a most interesting and valuable lecture on "Money and Credit,"¹ and some very amusing stories were told by our present chairman and the lecturer as to certain events which occur in banking. When I was in Ireland, a certain bank, for some reason or other, got into disfavour with the "bhoys," who, by a conspiracy of action, got hold of all the notes of that particular bank that they could obtain, and with much ceremony burned them in the market-place ! The effect on the bank was not what they expected.

Study Details.—Promptitude is important ; assiduity or painstaking is still more important. In my department a young man wanted two days' extra holiday, and there was some difficulty. He wrote that if he were granted the extra leave he would resume his work with increased acidity.

¹ A. J. Wilson on "Money and Credit."

The enormous importance of study, work, and laborious learning of details cannot be too strenuously inculcated. We have all, at some time or other, been told, "Mind your own business; that is not your job." That has been said to me a hundred times, and I have said it very often to other people. But without interfering with other people's business, you can learn details, you can learn facts which may be of immense use to you at a later stage, and you will find that your employers and heads will be sure, sooner or later, to call for and put to use any knowledge of facts and grasp of detail acquired in branches of business over and above that with which you are immediately concerned at the moment.

We should train and cultivate our memory. If we do, it will become brighter and more retentive. So, too, will the power of analysis and thinking out difficulties. If we are careless or negligent in this we shall gradually find that our brains become more and more callous and indolent, and more and more incapable of useful and prolonged work. We must cultivate our brain power—cultivate our memories, and then we shall find that our work will become easier and easier instead of more and more irksome and difficult.

Thoroughness.—It is necessary to learn what we have to learn thoroughly. A smattering is of no use; superficial knowledge is of no use. We must go below the surface and learn all the facts possible bearing on that which is before us. By so doing a

man finds, as he grows older, that his work becomes increasingly easy to him, while a man who shirks difficulties finds them cropping up again and again, and as he grows older his brain becomes less able to deal with them.

Delegation of Work.—Someone has said: "Never do anything yourself that you can get someone else to do for you." That is not a correct view of delegation. We should all do our own work thoroughly and accept our own responsibilities. On the other hand, an elephant should not be employed to pick up a pin, or a Nasmyth hammer to crack a walnut. The Secretary of the Board of Trade, or the head of a large commercial firm, should not be employed in copying letters; their energies can be better directed in other channels. Delegation should not be resorted to to save our own shoulders or to escape uncongenial work, but in order that our time may be better employed. Those who are willing to help a friend in his branch of business will get a knowledge of how the work is done that will be sure, sooner or later, to be useful. Therefore, help your friend when you can. Help him with his work. Give him a "leg up." You will be doing yourself just as much good as you will be doing him. You will be doing a kind action and benefiting yourself as well.

Ambition.—Another point I would like to touch upon is ambition. Is ambition a good thing or a bad thing?

Cromwell, I charge thee, fling away ambition :
 By that sin fell the angels ; how can man, then,
 The image of his Maker, hope to win by it ?

What Cardinal Wolsey was referring to was excessive ambition. Ambition in moderation is a very good thing. Just as every soldier ought to carry the baton of a Field-Marshal in his knapsack, so the boy whose first duty is to open envelopes or put on postage stamps should look forward to the possibility of his some day becoming senior partner in his firm. I think the chairman will agree with me that those who are at the head, or near the head, of an office should do their best to encourage reasonable ambition, and help a man in every possible way to do useful and effective work.

What is Commerce?—What is the object of commerce? May I put it in this way? Commerce consists in supplying someone with what we can produce more easily and more cheaply than he can, in exchange for that which he, in his turn, can produce more easily and cheaply than we can. That is the principle of exchange. If that is the right explanation, it follows that real commerce—true commerce—is for the advantage of both the parties engaged in it, and not merely of one. Therefore, all of us who are engaged in commerce ought to try so to conduct our negotiations that both parties may benefit, not that one may be what is popularly called. “bested.” Of course we must beware of

the tricks which are played sometimes. Not very long ago there came to a large poulterer's shop a gentleman who stuttered, and he said—

"I-I w-want to s-see some t-turkeys."

He was shown some.

"Some are t-tough and some are t-tender?"

The shopman admitted the fact.

"I-I s-suppose there is a d-difference in the price?"

He was assured there was none.

"I-I k-keep a b-boys' school; would you," with a wink of the eye, "m-mind p-picking out the t-tough ones."

The tough ones were taken out and put on one side.

"C-can you m-make any d-difference in the price?"

This was refused.

"Then I will t-take the t-tender ones."

Study the Markets of the World.—It behoves us all, Government officials and everyone else who have in any way to do with the commerce of the world, to find out what purchasers want and to supply them with it. If in a particular market people want teapots with two spouts, let them have teapots with two spouts. It is not for us to supply them with what we think they ought to want, but to supply what, as a matter of fact, they do want. We may think a single spout is the best; perhaps it is: never mind,

supply the double-spouted teapots if they ask for them, for it is certain that if we don't others will.

The Importance of a Knowledge of Modern Languages.—Another important matter—and this is very germane to our subject this evening—is the cultivation of languages. Bitterly do I regret that when I was a boy I did not learn German, Italian, and Spanish, as well as “classics.” I believe that, if it were necessary, I could address you a few words in ancient Greek, but I could not make you understand if I tried to speak to you in German. Modern languages are of the utmost possible use to all those who are looking forward to a commercial career, and I rejoice to see the efforts which are being made in this direction, not only by the London School Board, who initiated the Evening Classes which bring us together to-night, but by other bodies all over the kingdom. In Yorkshire, in Birmingham, Bradford, and other places, wise local bodies are endeavouring to train young men and young women commencing a business career in an accurate conversational knowledge of more than one European language.

Study the Conditions of Commerce.—We ought to learn the conditions under which commerce is carried on by other nations. At the Board of Trade we are trying all we can to spread information as to such matters as Foreign Tariffs—as to conditions under which goods exported from England are allowed to go into foreign countries, as to conditions of packing,

of distribution, of invoicing, which are likely to make those goods find a ready sale. But our efforts are nothing as compared with what can be done by the great commercial houses of this country, and by the young men and young women who are growing up and entering commercial life.

Resourcefulness.—Always try to be resourceful. I will tell you one more story. A lady once went into an emporium and asked for a powder. The assistant who had the privilege of attending to her wants at once asked, "Gun, face, or bug?" I cannot impress upon you too much the importance of being resourceful; try to find out what your customers want, and meet their requirements in every way that is possible.

Loyalty to Duty.—We ought always, whether we are at the head of a department or beginning life, to do our business with a whole-hearted desire to advance our employer's interests. If you are a servant of the public, as I am, serve the public and do the best you can for them. If you are a servant of a firm, try to consider how best you can loyally, thoroughly, and conscientiously help what you believe to be the true interests of that firm. If, therefore, you are in possession of their secrets, keep them carefully to yourself. Do not chatter about your business outside. A very little leakage may do more harm than you think. If you have any suggestion to make, think it out carefully and then make

it. Do not be deterred by fear of a snubbing. No wise chief will fail to be grateful for an honest suggestion conscientiously and carefully put forward.

Straightforwardness.—One thing more. Let us all cultivate straightforwardness. Straightforwardness is a great qualification. Sometimes in certain spheres of life some amount of subtlety may be necessary, some amount of acuteness may be desirable; but in the long run believe me that straightforward plain dealing will be the best course that can be followed.

I will conclude with two lines of our great poet, referring to straightforwardness :

This, above all : to thine own self be true,
And it must follow, as the night the day,
Thou canst not then be false to any man.

Mr. Frank Debenham, who presided, said he felt that the address just given by Sir Courtenay Boyle was, to a commercial mind, so full of solid matter, that for him (the chairman) to recall some of the very excellent points so eloquently submitted would perhaps rather tend to weaken their effect upon the minds of the audience.

He had only recently become acquainted with Sir Courtenay Boyle's admirable book, *Hints on the Conduct of Business*, and he would strongly advise every one present to at once secure a copy.

Vote of Thanks.—Mr. G. L. Gomme (Clerk to the London County Council), in proposing a vote of

thanks to Sir Courtenay Boyle, said it gave him very peculiar pleasure to do so. He cordially supported the lecturer in the stress he had laid upon the importance of observing what are usually considered "trifles."

Mr. W. Evans (Inspector of Official Receivers in Bankruptcy), in seconding, emphasised the importance of the moral qualities mentioned by Sir Courtenay Boyle. Sincerity and loyalty were, in his opinion, the main elements of success.

V

"LLOYD'S"

By COLONEL H. M. HOZIER, C.B.

ALTHOUGH every morning in the newspapers we see a good deal of information headed "From Lloyd's," and also hear constantly the terms, "Entered at Lloyd's," "Insured at Lloyd's," and "Classed at Lloyd's," yet it seems to me that there are many people who do not know what Lloyd's is, or of what its machinery consists. I am fortified in this opinion by various letters which come to me in my official capacity. Some people write to me that they wish to insure against twins; others inquire about steamers with twenty masts; some wish to insure against bad debts; a professional cricketer wished to insure the receipt of a certain sum from a match played for his benefit; and the applications for insurance of receipts of athletic and race meetings, etc., which might be diminished by bad weather, for insurance of the lives of cats, dogs, and horses, for insurances against risks of fire, burglary, accidents, damage to buildings, bridges, bicycles, etc., are numerous.

Everywhere, however, there is a certain idea that Lloyd's has something to do with ships, cargoes, and marine insurance. Marine insurance is a very important element in the whole commercial life of this country.

Shortly after the termination of the reign of Queen Elizabeth, a man of the name of Lloyd established a coffee house in Tower Street in the City of London, and thence moved to the corner of Abchurch Lane and Lombard Street, where men interested in shipping congregated together, and Lloyd's Coffee House became the centre of the shipping industry of the country. Here underwriters met to transact business and obtain intelligence, and the desire for information resulted in the issue of *Lloyd's News*, afterwards published, and still in existence, as *Lloyd's List*. Early in the eighteenth century a great wave of speculation swept over this country, which culminated in the South Sea Bubble. The spirit of gambling appears to have been prominently developed at Lloyd's Coffee House. We hear of the lives of prominent persons being insured at $1\frac{1}{2}$ per cent premium. The life of John Wilkes was insured at a premium of 5 per cent—that of Alderman Bond at 7 per cent. The return of Wilkes to Parliament was insured at premiums varying from five to fifty guineas, and the chance of his election to Middlesex at twenty to seventy guineas. The chance of war

with France was insured against at a premium of ten guineas; the chance of the dissolution of Parliament at a premium of fifteen guineas. Travellers were able to insure their safe return from foreign countries at various rates. Henry, when he went to Constantinople, insured his return for £1200, on payment of a premium of £400. Many of these insurances were little but gambling pure and simple. This spirit of gambling, however, seems to have disgusted some of the older and more respectable gentlemen who frequented Lloyd's Coffee House, for we find that a great portion left the Coffee House and established themselves in Pope's Head Alley, and thence migrated to the Royal Exchange, where Lloyd's has flourished ever since. It was in the rooms now occupied by Lloyd's that the ceremony of opening the present Royal Exchange in 1844 by Her Majesty Queen Victoria took place.

The monopoly of marine insurance granted by Act of Parliament in the early part of the eighteenth century to the London Assurance Corporation and the Royal Exchange Assurance Corporation,—a monopoly which excluded all but private underwriters from becoming marine insurers,—assisted greatly in the development of Lloyd's, as it prevented the establishment of other marine insurance companies. The fortunes made at Lloyd's during the wars attracted general attention, and in 1810 an

attempt was made by another company to upset this monopoly, of which Lloyd's was naturally a supporter. A Select Parliamentary Committee was appointed to inquire into the whole matter; but although the Committee recommended the repeal of the monopoly, their recommendations were rejected by the House of Commons, which considered that the system of commercial intelligence at Lloyd's had been established there by the labour of half a century, and had been brought to a degree of perfection which rendered it of the utmost importance to the mercantile world. Although Lloyd's emerged victorious from this inquiry, further attempts to overthrow the privileges of the two companies were only postponed for a few years, as in 1824 a Bill for the repeal of the Act granting the monopoly to the two chartered companies was introduced into the House of Commons, and passed. Other marine insurance companies gradually came into existence, and now there are many companies carrying on such business which are supporters of Lloyd's.

The marine insurance policy drawn up in 1779 by Lloyd's is still in use in practically the same form as then adopted.

Various regulations for the government of Lloyd's were drawn up by Committees appointed by the members, and the constitution of the society, as adopted in 1823 and 1828, lasted for a considerable period. The necessity for a new organisation, how-

ever, became apparent, and in 1871 Lloyd's was incorporated by Act of Parliament.

No man's bust deserves more recognition in this country than that of the great Napoleon. It ought to be in every chamber of commerce, for by the wars on the Continent Napoleon drove the whole commerce of the world into Great Britain. In 1811 the Society of Lloyd's recommended to its members to appoint general agents instead of allowing the underwriters to do so, and that was the foundation of the enormous system of Lloyd's agencies which now exists. In every part of the world is a Lloyd's agent, and no wrecks can occur near their stations which are not telegraphed immediately to Lloyd's.

As it has been before remarked, Lloyd's was incorporated by Act of Parliament as a corporation in 1871. The objects of the society, as defined by the Act of Incorporation, are :

(1) The carrying on of the business of marine insurance by members of the society.

(2) The protection of the interests of members of the society in respect of shipping and cargoes and freights.

(3) The collection, publication, and diffusion of intelligence and information with respect to shipping.

With regard to the first object laid down in the Act, viz. the carrying on the business of marine insurance by members of the society, it seems to be very little understood that Lloyd's is a corpora-

tion, and that the Committee of Lloyd's, as a body, have nothing to do with marine insurance. The Committee of Lloyd's must give brokers and merchants rooms and facilities for meeting their underwriters. The Committee of Lloyd's are entrusted by the members of Lloyd's with the admission of underwriters, and the Committee take great care in doing so that the candidate is a man worthy of the confidence of the public. Every candidate has to place a deposit in the hands of the Committee to insure the British public against his ever failing to meet his liabilities. I myself am a trustee—unfortunately only a trustee—for £3,500,000 so deposited. Although the Committee of Lloyd's are most rigid and severe with regard to gambling transactions, and recognise no insurances except purely marine and transport insurances, yet the younger spirits sometimes break bounds, and risks are taken in respect of long overdue vessels, the failure of race meetings is insured against, and some ladies insure against twins.

Underwriters are not quite free from superstition, and the idea that Good Friday and Bank holidays are unfavourable days is still believed in. It will no doubt be remembered that the steamship *Stella* was lost on Good Friday, the 13th April 1899, when many lives were lost. The emigrant ship *Cospatrick* was lost during the Christmas holidays of 1874, and 470 persons drowned.

With regard to the second object, there is a department at Lloyd's, specially organised and excellently administered, for assisting underwriters in case of loss or damage to ships and cargoes in which they may be interested, or in case of frauds. In this way the Committee of Lloyd's endeavour to act according to the object laid down in the Act of Incorporation for the protection of the interests of its members. One of the most interesting matters connected with this protective department is the endeavours to assist in the salvage of wrecks and cargoes. In many instances ships laden with treasure of great value had their cargoes insured at Lloyd's. H.M.S. *Diana*, which had treasure on board to the extent of £631,000, was insured in 1807 at 4 per cent, and arrived safely. The *Domingo*, which had £350,000 on board, sank. H.M.S. *Thetis*, with £160,000 on board, was lost in 1830. H.M.S. *Lutine* was a notable case of a great amount of treasure, which was chiefly insured at Lloyd's, being lost. This vessel was a frigate which had been captured from the French. She left Yarmouth Roads with a large quantity of specie on board, bound for Cuxhaven, and was wrecked on the morning of the 9th October 1799 off the island of Vlieland during a heavy gale. All on board perished with the exception of two men (one of whom died shortly after his rescue), who were picked up by a Dutch cutter. The underwriters promptly paid a

total loss. It has been impossible to trace what exact amount of treasure was on board the *Lutine* at the time of her loss, but from such records as exist there would appear to have been specie to the value of considerably more than one million sterling on board. Since the wreck various efforts at salvage have been made, and treasure to the value of over £100,000 has been recovered. Endeavours are still being made to salve further treasure, and it is hoped that these efforts will be attended with success.

One of the great objects of this protective department at Lloyd's is to protect the members of Lloyd's and marine insurance companies against frauds that may be attempted upon them. Frauds are, unfortunately, not unknown in the world of marine insurance. One of the most striking of these frauds of which I have heard occurred in the case of a vessel which never existed. The scheme was well laid. This vessel was supposed to have sailed from one port of the world to another port; her movements were recorded in the papers, and after about two years, when people had become accustomed to seeing her name in the papers, the vessel and cargo were insured on a voyage from, I think, Cronstadt to the United Kingdom. It was not unnatural that the vessel never arrived, as she did not exist, and after a certain time application was made to have the vessel posted as missing. Although this occurred before I was connected with Lloyd's, I understand she was posted

as missing, and underwriters paid a loss on both ship and cargo. In a case which came under my notice, a vessel was supposed to have loaded at Smyrna a cargo of valonia. Valonia is the gall of the wild oak, which is used in the manufacture of printing ink, and a cargo of valonia would be of considerable value. The cargo of this vessel was heavily insured, and she sailed from Smyrna for the Thames. We learnt that the cargo was not really valonia, but consisted of the sweepings of warehouses, and therefore we had agents ready to meet this vessel on arrival in the Thames. The captain of the vessel, who was a Greek, was so taken aback when he found that he was being waited for on arrival, that he refused to remove the hatches, and started back for Smyrna.

Probably the trick would have been repeated, but by a fortunate accident I myself happened to be in the Mediterranean, and shortly after the return of the vessel to Smyrna my yacht steamed into that port. The captain of the vessel evidently thought that I was in hot pursuit of him, and all that night he worked hard to throw his cargo overboard. Subsequently those concerned in this fraud were arrested and punished.

In another case a great fraud was attempted against underwriters at Lloyd's. There is a great trade in diamonds between this country and Holland, for diamonds shipped from the Cape and other parts

of the world usually come to London, and thence are sent on to Holland to be cut. A gentleman of the Jewish faith insured some diamonds at Lloyd's, which were of such peculiar value that they were to be sent under the care of his own son from London to Holland. In a few days the underwriters were notified that the diamonds had been lost on the journey, and the account given was that the young Jew was so sea-sick that, in his spasms, he jerked the diamonds from an inner pocket in his waistcoat over the bulwark, and they were lost in the sea. We took an opportunity of inspecting the vessel on which this accident was alleged to have occurred, and we found that the unfortunate young man must have been so fearfully ill that not only had he ejected the diamonds over the bulwark, but as he was standing on the upper deck, which was separated from the bulwark by a space of about seven feet, his agonies of sea-sickness must have been so great that they projected the diamonds out of the inner pocket of his waistcoat across the rail by which he was standing, across the space of seven feet between the rail and the bulwark, and over the bulwark. This curious phenomenon was pointed out to the claimants, and they thought it prudent not to press the case against the underwriters.

With regard to the third object of Lloyd's, ever since the establishment of Lloyd's Coffee House, Lloyd's has been connected with the collection and

distribution of shipping information. In many cases Lloyd's has been able to provide the Government with intelligence before the Government obtained it from its own sources. In 1749 Lloyd's was able to inform the Government of the capture of Portobello by Admiral Vernon after the death of Admiral Hozier. During the French wars Lloyd's was very frequently able to give information, especially with regard to shipping, to the Government before it was known at Whitehall.

The organisation of Lloyds for the collection and distribution of intelligence is enormous. Within late years the intelligence received at Lloyd's has greatly developed under the influence of steam and electricity, and this process keeps pace with the opening of new ports and the increased means of communication. The information is supplied by Lloyd's agents on every coast in the world, who report casualties to vessels and the movements of vessels within their districts. Not only casualties to vessels are telegraphed, but the movements, arrivals, and sailings of vessels are also reported in this manner. The expenses of such a system are exceedingly great, and in order to reduce them every effort is made by the compilation of codes for reporting vessels, two together and three together, in one word, and so on.

The enormous development of the Intelligence Department at Lloyd's is shown by the number of

telegrams dealt with, which amount to over 89,000 per annum, in addition to letters, etc., which reach a total of over 100,000 during the same period.

Lloyd's depends for information not only on telegrams, but also on a large number of signal stations which it has established throughout the world, and by means of which Lloyd's is able to communicate with vessels. Wherever the British flag flies there is a signal station, to help vessels in distress and further the interests of commerce. The value of these stations is very great, not only to underwriters, but also to merchants and shipowners, as it is frequently of advantage that a vessel should be intercepted off the coast and ordered to its port of destination. Shipowners in this way often have the earliest intimation of the arrival of their ships. Vessels arriving off outlying signal stations often bring important intelligence as to derelicts and wrecks passed on their voyages, as well as information of vessels in distress requiring assistance, and overdue vessels arriving on long voyages are reported at these stations. Not one vessel in ten bound to ports in the United Kingdom from distant ports arrives at her terminal port without first being reported from one of Lloyd's signal stations. The corporation of Lloyd's now holds a similar position, with regard to signal stations, to that occupied by the Corporation of the Trinity House with regard to lighthouses. These valuable aids in the preservation

of life and property are one of the latest developments of the Corporation.

As may be imagined, curious reports are sometimes received at Lloyd's, and it was somewhat startling when a telegram informed us one day that the *Twelve Apostles* had been wrecked at Hell's Mouth.

The introduction of a system of ætheric signalling would be of great importance to the mercantile marine, and I have heartily to thank the Committee of Lloyd's for granting to Mr. Nevil Maskelyne and myself the opportunity of using certain of Lloyd's signal stations for the purpose of experimenting with a system devised by Mr. Maskelyne and myself, with a view to the transmission of messages without wires, and which, we have no doubt, when perfected, will be of great benefit to the mercantile marine.

The distribution of intelligence employs a large staff of clerks. The intelligence department was originally established at Lloyd's Coffee House to meet the public desire for information with regard to vessels at sea. *Lloyd's List*, which is, with the exception of the *London Gazette*, the oldest newspaper existing in Europe at the present time, was originally established as *Lloyd's News* in 1696, which publication was suppressed on account of a breach of the privilege of the House of Lords. It was, however, resuscitated in 1726 under the name of *Lloyd's List*, and has continued to be published since

although it is now issued in combination with the *Shipping Gazette*. Besides *Lloyd's List*, other publications, of great benefit to all connected with shipping and marine insurance, are issued by Lloyd's, such as *Lloyd's Weekly Shipping Index*, a publication which contains particulars of the movement of almost every ocean-going vessel, and *Lloyd's Calendar*, an annual publication, which contains information of great value to officers of the mercantile marine. *The Mercantile Navy List*, *International Code of Signals* and *British Code List*, which are edited by the Registrar-General of Seamen, are also published for the Committee of Lloyd's.

In addition to these works, a great deal of information of a confidential nature, which is of importance to underwriters, is issued in various forms, and a Captain's Register, which is kept at Lloyd's, shows the services of every master of the mercantile marine. Lloyd's also maintains an inquiry office, where relations of the crews or passengers of any vessel may obtain without charge information concerning the movements of the vessel in which they are interested.

The posting of vessels as missing is one of the unpleasant duties which the Committee of Lloyd's are called upon to perform. Applications are frequently received for this purpose, as the fact of a vessel being posted at Lloyd's as missing is considered *ipso facto* as evidence of the total loss of the vessel and all on board. In spite of the great

developments which have taken place in methods of shipbuilding, and the increased means adopted for the prevention of disaster and loss of life at sea, over fifty vessels have this year (1900) been posted at Lloyd's as missing. This means not only the total loss of the vessels and their cargoes, but also the loss of many valuable lives.

Lloyd's takes every opportunity of assisting in the preservation of lives and property from the perils of the sea, and I may mention that the establishment in 1802 of the first lifeboats ever used was the result of a fund collected at Lloyd's, which actively kept going this humane enterprise until it was taken in hand in 1824 by the National Lifeboat Institution. The medal of the Society is presented by Lloyd's to persons who, by extraordinary exertions, have contributed to the saving of life at sea, and since its institution in 1837 many silver and bronze medals have been presented for heroic services in this connection.

The merits of officers of the mercantile marine, who by great exertions contribute to the safety of vessels and cargoes at sea, are also recognised by the Society, which bestows a medal for such services.

Lloyd's Patriotic Fund, which has lately taken such an active part in connection with the war in South Africa, and is administered by trustees, the majority of whom are members of Lloyd's, was instituted by Lloyd's in 1803 for the relief of soldiers

and sailors, and their relations and dependents, who suffered in the great war—a sum of £20,000 being voted from the funds of the Society to commence a public subscription. The Patriotic Fund granted many rewards for services during the wars in the early part of the nineteenth century, and among other eminent persons who received swords of honour and other marks of appreciation from the fund was Lord Nelson.

One of the difficulties encountered at Lloyd's is, I might say, the impossibility of obtaining English clerks who have a good knowledge of foreign languages. Young men in England do not pay sufficient attention to technical education and foreign languages, and I think that the commercial supremacy of this country is being lessened by want of proficiency in such matters, which receive great consideration on the part of educational institutions on the Continent. Lloyd's are obliged to employ foreigners for the purpose, as they are unable to obtain competent English clerks, and I consider that it is the duty of every subject of the British crown to urge upon his countrymen, by all means in his power, the study of foreign languages in order to compete successfully with foreign competitors.

The necessity of keeping some record of shipping was felt by underwriters at a very early period, and it would seem that an Underwriters' Register, which was apparently almost contemporaneous with *Lloyd's*

List, was established at Lloyd's to meet this want. This was the origin of the present *Lloyd's Register of British and Foreign Shipping*—a compilation of enormous benefit to the shipping community, and in which all merchant vessels of any account are classed, and full details concerning them can be found.

It is to be hoped that the commercial supremacy of England may never be seriously reduced, and it cannot be doubted that, so long as institutions such as Lloyd's are administered by such enlightened Committees as that of Lloyd's, there is little danger of this being the case. That Committee have, by careful administration and thought and work, raised Lloyd's to the position it now holds—that of a magnificent organisation which knows no jealousy and fears no rival. The Committee of Lloyd's never neglect any opportunity, in the interests of its members, to seek for greater things, and to secure the advantage and prosperity of all with whom Lloyd's may be thrown into contact, for they are thoroughly impressed with the truth of the old quotation—

Whether upon waters blue or in battle's van,
The noblest work that man can do is to do good to man.

VI

THE COMPANIES ACT, 1900

By C. A. MONTAGUE BARLOW, Esq., LL.D., M.A.

MR. MONTAGUE BARLOW said that during the last six or seven years the attention of Parliament and the public had been directed to company-promoting swindles and the powerlessness of the present law to check them. Lord Russell of Killowen produced in 1898 figures to show that, during the seven years from 1891 to 1897, £28,000,000 of money had been lost in company liquidation, £20,000,000 odd to shareholders, and £7,000,000 odd to creditors. The Board of Trade officials put the figures considerably higher, and show an average annual loss of £12,000,000 during the last five years. These figures, however, require correcting in various ways; nor must it be forgotten that while the capital invested in joint-stock enterprise in England amounted in 1894 to over £1,000,000,000, the capital of all companies in France, *anonymes* and *en commandite*, was, in December 1894, calculated approximately at £420,000,000, and the capital of German companies was similarly

calculated at £300,000,000, leaving the capital embarked in English companies £315,000,000 in excess of that in both France and Germany. There is not wanting evidence that the freedom of our company laws from irritating restrictions, which exist in France and Germany, has attracted to England capital which would otherwise have been invested abroad. It was therefore necessary to proceed with caution, so as not, while checking fraudulent promotion, to impede the commerce of the country.

A Departmental Committee, of which Lord Davey was chairman, and which comprised such experts as Sir Rowland Vaughan Williams, Mr. (now Mr. Justice) Buckley, Mr. Palmer, Sir Albert Rollit, and others, in 1895 took the opinion of the commercial world, and in particular received much assistance from a Committee of the London Chamber of Commerce. The Committee drafted a Bill of some forty-nine clauses, which was then submitted to a Committee of the House of Lords, who in 1896, 1897, and 1898 listened to no less than twenty-one expert witnesses, going through the Draft Bill clause by clause. The Bill was then further considered by a Lords' Committee in 1899, and by the Commons' Committee on Trade in 1900, and finally received the Royal assent and became law this year; it comes into operation on 1st January 1901. The Draft Bill of Lord Davey's Committee has undergone

considerable alteration, and the new Act consists of only thirty-six sections.

Throughout this lengthy inquiry the main points to which attention has been directed are the following:—

1. *One-Man Companies.*—The law at present only allows the principle of limited liability to apply when seven persons procure registration as a company. In England there cannot be a partnership of two persons, as there can in Germany, trading with limited liability. At the same time there is nothing to prevent one man being the real company, six members being dummies and having their shares provided for them by the seventh, this having been decided in the case of Aaron Soloman in the House of Lords in 1897.

2. *Proceeding to Allotment on Insufficient Subscriptions.*—So long as seven shares are subscribed that satisfies the Act of 1862, and Mr. Purcell, the Registrar of Joint-Stock Companies, quoted a case of a company registered in 1891 where the capital was £10,000, divided into 9,600,000 shares of $\frac{1}{4}$ d. each, and the total subscribed capital was $1\frac{1}{2}$ d. A company starting with insufficient capital for working purposes is foredoomed to failure.

3. *The Liability of Directors and Promoters* for negligence or misconduct in the promotion and conduct of the company. Clauses were inserted in the original Draft Bill of 1895 defining the pro-



motors' duties, and making directors liable for "reasonable care and prudence."

4. *The Prospectus*.—There was a general feeling expressed by witnesses that more should be required in the prospectus, and that directors should be pinned to responsibility for the statements contained in the prospectus by being made to sign it.

5. *Loading the Purchase-Money*.—The usual process has been for the property to pass through three or four hands—three or four fictitious sales, on each of which a large profit is made, before finally being transferred to the company. The public are only aware of the last sale, and that is all that is disclosed.

6. *Registration of Mortgages*.—The old law allows a company to issue debentures by way of a floating charge on all its property, including its uncalled capital, and so secure an advantage impossible to the individual trader. Further, the debentures are often taken by the vendor, and creditors who trusted the company on the strength of its uncalled capital are apt to find, when the company is wound up, that the vendor, as debenture-holder, takes everything. The Board of Trade report for 1899 mentions a case of the Savoy Press, Limited, where an undischarged bankrupt formed a company to take over a worthless publishing business for £1500 cash, shares and debentures. £553 were subscribed, which went to the vendor, who also took all the debentures.

The company incurred £600 debt, and then the vendor resumed possession as debenture-holder. A register of debentures had to be kept by the company at its own offices, but this was only open to shareholders and existing creditors for inspection. Strong feeling was expressed in favour of requiring a register of all mortgages to be kept by the Registrar of Joint-Stock Companies, open to every one.

7. *Auditing and the duties of Auditors*, especially with regard to the ascertainment of "profit," the Courts having held that a company might go on paying dividends without making any allowance for the depreciation of a wasting security.

Before discussing the clauses of the Act in detail, it is worth while pointing out (1) that the Act itself is a compromise—that the clauses dealing with the liability of directors and promoters have been cut out, and also clauses regulating the balance-sheet and its contents. There were proposals from many well-known lawyers and city men to require the balance-sheet to be registered for public inspection. This, however, was not adopted by the Committee in the Draft Bill, nor does it appear in the Act. So far as the clauses defining the liability of promoters and directors merely re-enacted the old law, the clauses are a distinct loss. Two distinguished judges, Mr. Justice Romer and Lord Justice Lindley, objected to the clause as drawn, and Mr. Justice Romer thought that to require "*reasonable care and*

prudence" of directors was going too far, and was more than the law required already. This will come as a surprise to many people not lawyers. The clauses were eventually dropped, on the ground that there was probably sufficient power in the existing law to force directors to do their duty, and that care must be taken not to impose on directors burdens harder than they could bear, and which would frighten away good men. The excision of the clauses dealing with the balance-sheet and the curtailment of the clauses defining the duties of auditors is a serious loss.

2. The one-man company difficulty is not touched by the Act. So high an authority as Lord Justice Lindley was in favour of allowing one man in name, as he can now practically in fact, to trade with limited liability, but the new Act leaves the old law as it was. Indeed, it goes somewhat further. Mr. Justice Kekewich suggested in a recent case, that if there were not seven genuine signatures to the memorandum, and then the Registrar's certificate of incorporation were granted, that the certificate would be a nullity, there never having been seven members at all. Section 1 of the new Act provides that when once the certificate of incorporation is given, that is conclusive, though all the seven original signatures may have been forgeries—a provision allowing fraud in the original signatures to be a ground of winding up having been cut out in

Committee. The Registrar is, however, given power of ascertaining whether the signatures have been properly affixed, and of requiring a statutory declaration from some one officially connected with the future company.

3. Much was said about drawing a distinction between public and private companies—those, that is, which go to the public for support, and those which are merely family concerns. Many of the precautions as to allotment and the prospectus applicable to the former were felt not to be necessary in the case of the latter. Lord Justice Vaughan Williams, Mr. Sinclair, and others, would have drawn a sharp line between them; the new Act, however, does not do this, but goes a long way towards it by making many of its most stringent provisions apply only to companies whose shares are “offered to the public for subscription.”

The keynote of the new Act is publicity. In Lord Russell’s words, “When appeals are made to the public to subscribe to the capital of undertakings, everything ought to be above-board, no concealment, no secret profits.” Many of the provisions will apply to *all* companies—those now existing as much as those coming into existence after 1st January 1900.

To take the provisions which will only apply to new companies first: Of these the most important are three—those relating to directors’ qualification

shares, the period at which the company may commence business, and the statutory meeting.

Many companies already require a director to hold some, though usually a small stake only, in the company, the idea being to place some check on the guinea-pig director. The holding, however, required by the company regulations is usually so small as to be no serious consideration to anyone; while in the case of the worst companies, the promoters who deal in paper millions can easily manage to provide a few hundred pounds for the director's qualification. Difficulties have also arisen in cases where the company requires the director to take a qualification, and a director acts as such for some time without actually applying for his shares, whether he has contracted to take them, so as to be made liable on a winding up to pay for his shares. The new Act retains the qualification idea to this extent: it does not name a minimum qualification, nor even say that a qualification shall be essential—it merely says that where a company goes to the public for money, no one shall be capable of being appointed director, or shall be named as director in the prospectus, unless he has actually signed a contract to take the qualifying shares (if any) named in the regulations.

With regard to the commencement of business there is a very important and entirely new regulation. There is common on the Continent a custom

of double registration. Something like this existed under the earlier Acts in England, and the custom is almost universal on the Continent. For instance, in Germany a company is first constituted, and certain preliminary steps can be taken, and the shareholders are bound to one another; but the company is not finally registered, so as to have a complete existence as a company or be able to deal with third persons, till the whole of the share capital has been allotted and 25 per cent at least been paid up. Something of the same sort was suggested on the inquiries here, but the Committee of the London Chamber of Commerce were not unnaturally strongly against such a check on joint-stock business, and the opinion of that Committee largely settled the fate of the proposal. However, Section 6 of the new Act goes as far as this: A company is to be registered and come into existence on presentation of proper documents as before, but it is not to "commence any business or exercise any borrowing powers" until a certain amount of the shares have been subscribed for. What amount that is to be is left to the company, which is to fix a minimum in the articles; but there is this stringent provision, that unless a minimum is fixed by the company itself, then *all* the shares must have been subscribed for before the company can commence business. Till the shares have been so subscribed for and allotted, all contracts made by the company

are provisional only, and if the subscriptions do not reach the proper amount, the money must be returned within forty days. This regulation should give a severe check to proceeding to allotment on insufficient subscriptions.

The first statutory meeting of the new company is to be held within three months—one month nearer to the time of its birth than before, and is to be made more of a reality. The directors must, before the meeting, send round a signed statement of the number of shares allotted, the cash received for them, the financial position of the company, and the amount paid in preliminary expenses, together with any preliminary contract it is proposed to modify at the meeting. There are other provisions to secure full publicity and discussion at this meeting as to the real state of the company.

With regard to the provisions that affect all companies after 1st January next, there is a small but important provision that the amount payable on application for a share shall never be less than 5 per cent of the nominal value of the share. Apart from this there are four main alterations—

1. *Underwriting* is now to be allowed (Sec. 8), provided the payment and the amount be authorised in the articles and mentioned in the prospectus. Payment for brokerage has been allowed for some time by the Courts, but not payment of commissions, though this latter was admittedly not a dishonest

proceeding, and was resorted to by the best companies. The reason of the objection was that such payments resulted really in issuing shares at a discount. The custom of the City has now prevailed.

2. *Prospectus*.—The clauses in the new Act relating to the prospectus are of great length and minuteness. A copy of every prospectus is to be dated, signed by every director, and filed with the Registrar of Joint-Stock Companies for inspection ; it is to contain a great variety of information, the contents of the memorandum and the names and addresses of signatories and of directors, the number of founders and of directors' qualification shares, the minimum subscription on which the company may proceed to allotment, the amount of shares and debentures agreed to be issued as fully paid up, etc., there being a slight saving allowed in the case of publication in a newspaper, and in the case of prospectuses issued more than one year after the creation of the company. Two very important requirements are, that the amount payable in cash or shares to the vendor must be clearly stated, and the amount payable for goodwill ; further, the amount spent in preliminary expenses, and the interest of every director in the promotion, must be set out.

The Act prescribes no penalty for non-compliance with the section, and apparently any one who transgresses will be liable for a misdemeanour (under a subsequent section punishing any false

statements), and will also be suable for damages ; it is doubtful, however, whether an allottee who has been influenced by a prospectus which infringes any of these rules will be able to refuse to pay for his shares.

3. *Register of Mortgages*.—A register of mortgages has always existed, but has been only kept by the company, and only been open to creditors and shareholders of the company. The Act creates a new register to be kept by the Registrar of Joint-Stock Companies, open for inspection by every one. It is not, however, every mortgage that will require registration in the new register, but only such mortgages as are peculiar to a limited liability company—*e.g.* mortgages to secure debentures, mortgages of uncalled capital, mortgages of personal property which, apart from a company, would be a bill of sale, and lastly, floating charges over all a company's undertaking. So mortgages by a company of its land, apart from debentures, or deposit by a company of shares as security with a bank, would not come within the new requirement, shares not being "personal chattels" within the Bills of Sale Acts.

Lastly, every company is required to appoint auditors, who may make such requirements as they like, and who must state when they sign the balance-sheet whether all their requirements have been complied with.

Every Act of Parliament proverbially contains

gaps wide enough for a coach and four to be drawn through; this Act is no exception. The drafting is in many cases defective, and will require much elucidation in the courts. The provisions as to subscriptions and allotment, excellent in themselves, apply only to companies which go to the public for subscriptions, and will probably be evaded by companies being brought out under the care of other fostering companies, securing quotations in the market, and never directly appealing to the public for funds at all; the public will undoubtedly buy the shares all the same, if they are properly manipulated. The same considerations apply to prospectuses which are only used in the case of companies which go to the public. The Act is an honest attempt to hit "peculation as opposed to speculation."

VII

COMMERCIAL BANKRUPTCY

THE WAYS INTO IT AND OUT OF IT

By WILLIAM EVANS, Esq.

SIR OWEN ROBERTS, LADIES AND GENTLEMEN—My subject is not a cheerful one, and it is not without a certain fitness that we happen to discuss it on the evening of the first day of Lent.

Yet there are few things human that are not relieved occasionally by touches of humour; even bankruptcy and impecuniosity in every form are subjects which lend themselves to the humourist and the moralist. But that is not what you expect to-night. What we have to deal with are the ways into bankruptcy and out of it, as the term is known to the law. On its other aspects I shall make but two remarks. First, that, so far as my observation goes, scarcely a fourth of the insolvencies occurring in England in ordinary times are due to unavoidable misfortunes; at least three-fourths may be directly traced to some mental or moral incompleteness or error—often to a

combination of the mental and moral, varying in colour and degree, from simple pitiful incompetency to sheer deliberate roguery. The other remark is, that these defects are found quite as often among those who take a downward turn after a fair start in life, as they are among the multitude who start without inherited capital, some of whom unavoidably trip in the fierce race for means of living and for riches.

But while we must confine ourselves to the legal aspect of the subject, you do not want a discourse on the technicalities of bankruptcy law. My aim will be to give you a few clear ideas of its outlines as it affects the personal status and the property of a bankrupt. This may induce some of you, perhaps, to pursue the subject further, and will enable every one to follow with more intelligence and interest what you may read in the newspapers of bankruptcy proceedings.

The way towards bankruptcy always begins in some form of financial inability to satisfy legal claims which are due or imminent. In some cases there may be means enough ultimately to satisfy all the claims fully, but their owner is made to pass through the mill of bankruptcy because the means are not readily available. In such cases the machinery of the bankruptcy laws is invoked to protect assets from ruthless sacrifice for the immediate satisfaction of one or of a few creditors to the detriment of other

creditors and of the debtor himself. When that has been done, the way out is by annulment of the adjudication in bankruptcy after all claims have been met. The stain of bankruptcy is then removed from the debtor, in the eye of the law, as if it had never been there. In the great majority of cases, however, the financial inability is deeper, and its consequences go further. There is not only the pressure of urgent claims, but the totality of the debts is greater than the means to meet them ; or, as it is usually put, the liabilities of the debtor are larger than the value—the realisable value—of his assets.

While pressure by creditors in some form or another is always the proximate cause of bankruptcy, the actual step into it may be taken either by the debtor himself or under the legal compulsion of a creditor. In either case a Bankruptcy Court is petitioned for what is called a "Receiving Order" against the debtor ; and in both cases there is a preliminary payment of £10—half of it to the Court by means of a stamp on the petition, and half of it as a provision for costs which the Official Receiver is put to when a Receiving Order is made. But while the law makes a Receiving Order readily against a debtor on his own application, it defines very carefully and investigates critically, as I shall point out presently, the grounds on which a creditor can get an order against his debtor. Over the greater part of London this bankruptcy jurisdiction is exercised by a branch

of the High Court of Justice. For the rest of London, and throughout England and Wales, the jurisdiction is exercised by certain County Courts. It is a curious fact that while, in what we may call the Provincial Courts, four out of every five Receiving Orders are obtained on the direct application of debtors themselves as a refuge from worse evils, in London only one-third of the Receiving Orders are obtained by the debtors, and two-thirds on petitions presented by pursuing creditors. To put the proportion in another way: creditors take the direct initiative in ten cases out of every fifteen in London, but in only three out of every fifteen in the provinces. Some of you who may be of a philosophic turn of mind may endeavour to discover the sociological causes of this fact. I cannot, without fruitless digression, do more than mention it.

Before a creditor can obtain a Receiving Order against a debtor he must prove two things: that he has a valid claim of at least £50 on the debtor (two or more creditors may combine to prove claims of £50 or more between them), and that the debtor has committed what the law calls an "act of bankruptcy" within three months of the date of the creditor's petition. The proof of debt which a creditor produces is an unsatisfied judgment of some Court against the debtor. Among the acts of bankruptcy, one of which must be proved by a petitioning creditor, those most commonly committed by debtors

may, for our purposes to-night, be broadly described thus :—

That the debtor has suspended payment of his debts, or has given notice to any of his creditors that he is about to suspend payment.

That he has assigned or conveyed his property to a trustee for the benefit of his creditors generally.

That an execution has been levied on his goods.

Other acts of bankruptcy of less frequent occurrence, and generally more difficult of proof, are these :—

That a debtor has fraudulently assigned or conveyed his property with the object of defrauding or defeating his creditors.

That he has done such things with the object of benefiting one or more of his creditors at the expense of the others.

That, with intent to defeat or delay his creditors,—the intention being a matter of evidence, differing according to the circumstances,—he departs out of England, or, having departed, remains away, or departs from his dwelling-house, or begins to “keep house”—a term of highly technical meaning.

But all these, you will observe, are things which depend on the debtor's volition. He must of his own motion have done some one or more of them to make himself vulnerable to a petition, and insolvent debtors, in certain circumstances, can with comparative ease guard themselves against an adverse Receiving Order by a careful avoidance of all these

acts. There remains one, however, which a judgment creditor can impose upon a debtor—namely, serving upon him a “bankruptcy notice,” the effect of which is to give him a choice between satisfying a judgment debt within seven days, or, by his failure, committing an act of bankruptcy on which a petition can be filed against him.

But for this provision some debtors might indefinitely defy their creditors to put them into bankruptcy, and thereby to submit themselves and their affairs to processes of inquiry and discovery which can in no other way be enforced. A case came under my notice a few years ago where a man living in ease was obdurate, owing to mental inertia probably, to every pressure put upon him to pay an undisputed debt until a Receiving Order was obtained against him. The inquiries of the Official Receiver brought to light a bank balance running into thousands, not only sufficient to pay the pursuing creditor and the few other claims, but leaving a considerable surplus for the debtor himself. And some of you may remember a case which obtained some notoriety several years ago, where an Englishman of large means, living abroad, had resisted all the efforts of a particular creditor to recover a sum of money awarded as damages until bankruptcy proceedings ensued. Even then there was very great persistence in the policy of evasion and non-disclosure. At last a summons to a solicitor who had

acted for the bankrupt, to be examined under Section 27 of the Bankruptcy Act of 1883 as a person capable of giving information respecting the debtor, his dealings or property, and to produce documents in his custody or possession relating to the debtor, his dealings or property, was speedily followed by complete capitulation. You should know, however, that great care is exercised by the Courts before they will grant a creditor the remedy of a Receiving Order, and that there is a large body of "case law" on such matters as acts of bankruptcy and various proceedings for the examination of debtors, and for the discovery and recovery of their assets, which it would be hopeless to deal with at all on this occasion, though bearing intimately in practice on what I have been stating in general terms.

The threat of a bankruptcy petition is in many cases sufficient for the recovery of judgment debts. The claim is paid, or in some way arranged for, before the petition is filed, or before a Receiving Order is made. The published statistics for the London Court for 1899 show 3852 bankruptcy notices by creditors, and only 1622 petitions; therefore, presumably, 2230 notices produced their purpose without proceeding to petition; also, in 1899, out of 1831 petitions filed by creditors, 874 were dismissed—that is, the petitions produced their desired effect on the debtors, which led the creditors not to press on with the petitions, or the

creditors failed to make out a case for a Receiving Order.

Once a Receiving Order is made, its consequences to the debtor and to his property are the same, whether the order has been made at his own instance or on the petition of a creditor. And in passing it may be mentioned that, by somewhat similar processes, the creditors or the representatives of a *deceased* debtor can get the dead man's estate wound up in bankruptcy for the equal benefit of all who have a parity of rights. But no Receiving Order can be made against a married woman, whatever her property or debts may be, unless she has carried on a business apart from her husband.

The Receiving Order is a critical, but not the final, stage on the way into bankruptcy. It has to be publicly advertised; it places the staying hand of the Official Receiver on all the assets of the debtor against whom it is made, and on all legal proceedings against him for the recovery of debts; it limits to six months' rent the right of a landlord to distrain on his effects, and fixes the date after which no debt that he may incur can be proved against his existing estate. It also puts him personally under an obligation to disclose fully the position of his affairs and all his property to the Official Receiver, and to submit himself for examination, first privately and then publicly in Court, by that officer. Any creditor, also, who has proved his debt has a right to put any

questions to him which the Court may think proper. On what these inquiries and examinations may disclose will depend, as I shall show to you presently, the terms, easy or severe, on which the law will finally permit the debtor to escape from the burden of his debts without having any future as well as his present estate charged with their payment to the last penny. Finally, the Receiving Order places before the debtor three courses, one of which he must take. He must pay his debts in full, or he must submit and carry a proposal that shall comply with some stringent conditions fixed by the law for the liquidation of his debts by a "composition" or by a "scheme of arrangement," which shall be in itself reasonable, and appear to be more beneficial to the creditors than a compulsory winding-up by a trustee would be; or he must be adjudicated a bankrupt.

The difference between being a debtor under a Receiving Order and a bankrupt under an Adjudication Order is considerable. In some cases the difference of the legal status is of great importance to the person concerned. In all cases it makes a wide difference in his relation to any property he has, or which he may acquire or inherit afterwards. The greatness of these differences must be realised to understand first the prolonged efforts and ingenuity of some debtors to avoid adjudication by means of a "composition" or a "scheme," or to have the adjudication annulled after the order has been made.

You must also understand the difference between a Receiving Order and adjudication to realise what an Order of Discharge means. Without attempting to exhaust the list of disqualifications entailed by an Adjudication Order, I may mention some of its effects on the status and rights of a debtor. It deprives him of any right he may have to sit or vote in either House of Parliament, to act as a magistrate, to remain a member of any of the various councils by whom the powers of local government are exercised. Besides such disabilities as are created by law, there are private societies, such as clubs, membership of which is forfeited by bankruptcy. And any undischarged bankrupt adjudicated under the Act of 1883 who incurs a debt of £20 or upwards to any person, without informing such person that he is an undischarged bankrupt, commits a misdemeanour punishable by imprisonment with hard labour for not more than two years.

The effect of an Adjudication Order on the property of a bankrupt is to vest the realty and personalty in a trustee until and unless the Adjudication Order is annulled, which can be done only after the debts are paid in full, or after the approval by the Court of a composition or scheme of arrangement. Until that happens, or until he obtains an Order of Discharge, the bankrupt remains incapable of holding property. The legal ownership of everything that may come to him, as well as of what he had at the

date of the Receiving Order, is vested in the trustee. The effect of an Order of Discharge is to relieve him of the personal disabilities that have been mentioned, and to make him the legal owner of property he may acquire after the date fixed for the discharge; but it does not restore to him anything which he may have become entitled to up to the date of the Discharge Order. And while a bankrupt is undischarged it is open to the trustee to apply to the Court for an order to attach, for the benefit of the creditors, such portion as the Court may think fit of any pension, half-pay, or salary which he may be drawing. This attachment may go on after he has obtained his discharge until his debts are paid, subject to the right of the Court to vary the order. This power of attachment is exercised warily. The consent of the chief of the department is required to the appropriation of any portion of the pension or salary of a man in any of the Services of the Crown, and in the case of pensions, half-pay, and income in other employments, it is clear that the bankrupt must be left with sufficient income to live competently.

The burden of these disabilities, as regards personal status and the right to hold property, which are the result of an Adjudication Order, must appear to you severe and well-nigh intolerable. To men in some walks of life they unquestionably are so, but they are comparatively so little felt by the majority of those who fall under their ban, that

only one out of every five bankrupts seeks to escape from them by applying for his discharge. Those who get free by means of a composition carrying with it an annulment of the Adjudication Order are still fewer. It might be interesting to discuss the question why so many do not apply, for, in my opinion, a very large proportion of the 80 per cent who never apply could obtain their discharge on conditions quite as tolerable as those imposed on the one-fifth who do apply. But it is an inquiry on which I must not enter now. We may perhaps return to it for a moment with more advantage when we have considered the legal obstacles to a discharge.

A bankrupt who wants his discharge must first of all pay a small fee proportioned to the number of his creditors of £2 and upwards who have proved their debts, and who have to be informed of the date when the Court will hear it. The Official Receiver, the trustee for the creditors (the same person is often both official receiver and trustee), and any creditor who may wish to attend personally, or by his solicitor or counsel, have the right severally to be heard on the application for discharge. The main thing which the bankrupt has to meet is a report on the application, which the Official Receiver, as the special officer of the Court in bankruptcy matters, is required to make. That report is by law *prima facie* evidence of the facts stated in it, which the Court accepts, unless their accuracy is

challenged and disproved. The bankrupt and his advisers can get a copy of the report some days before the application is heard, and if any of its facts or conclusions are to be challenged specific notice must be given of the objections. In this report the story of the bankrupt's affairs and conduct, as disclosed by his own statement of his affairs, and in the examinations through which he passed, or by other evidence submitted to the Court, is told and discussed from the standpoint of the bankruptcy laws. And according to the degree that the bankrupt's conduct of his financial affairs has been satisfactory, or faulty, or nefarious, when tried by this test, the Court determines the conditions on which he shall be granted relief from the disabilities as to his person and property under which he stands as a bankrupt. His discharge may be granted immediately and unconditionally. There were 41 so granted among the 893 orders of discharge made in the year 1899. When you remember what such a discharge, or any discharge when it takes effect, means—that it rids a man for ever of the legal obligation to pay his past debts; that he is free to acquire riches, and still to leave unpaid a debt, perhaps a large one, which may have made the man to whom he owed it hopelessly poor; and when you realise how comparatively easy are the conditions on which the Courts are empowered to grant, and as a rule do grant, discharges—

you will scarcely think that English law deals harshly with insolvent debtors.

But the great majority, some 95 per cent, of the discharges applied for are not granted unconditionally, and I shall tell you what the more common faults are which compel the Courts to delay for a time, and in some cases for all time, the discharge of a bankrupt, or to subject it to some conditions of a financial nature. In the first place the discharge cannot be granted at once and unconditionally unless the saleable value of the bankrupt's property is equal to at least half the total amount of the liabilities provable against him in the bankruptcy. In brief, while the law will excuse a man who is pulled up, and obliged to realise his property speedily, though he has not enough to pay 20s. in the pound, it marks him with disfavour, if he has not been so far on his guard as to put himself under the protection of the Bankruptcy Court before his assets are so diminished that they are not worth 10s. for every pound he owes. Even then he is excused if the value of his property has fallen below that level owing to circumstances for which he cannot justly be held responsible. Again, to obtain his discharge unconditionally, a bankrupt must not omit to keep such books of account as are usual and proper in the business carried on by him, and as sufficiently disclose his business transactions and his financial position within the three years immediately pre-

ceding his bankruptcy. In other words, he must have taken reasonable trouble to record his dealings, and to be able at any time to ascertain accurately "how he stood." And he must not have continued to trade after knowing himself to be insolvent,—a degree of knowledge which men are admittedly and naturally slow to acquire, and slow to confess even when they have realised the fact,—and he must not have contracted debts which he could not reasonably and probably expect when he contracted them to have the means to pay. He must be able to "account satisfactorily" for the losses which made him unable to pay his debts in full—that is, he must be able to show how his losses were made. Proof of losses in their nature unsatisfactory and blameworthy would be a compliance with this requirement, though the proof might fix the man with some other default or defaults, such as causing or contributing to his insolvency by gambling, or by rash and hazardous speculation, or by extravagance in living, or by neglect of business, which would hinder his getting an unconditional discharge. To have incurred unjustifiable expense by bringing a frivolous or vexatious action within three months of the Receiving Order, or to have put any of his creditors to unnecessary expense by a frivolous or vexatious defence to an action properly brought against him; to have given an undue preference to some creditors at the cost of the others, to have been bankrupt previously, or

to have made a composition or arrangement with creditors, and, lastly, to have been guilty of fraud or fraudulent breach of trust,—these, or any of these, are things which bar an unconditional discharge from bankruptcy.

It is the special business of the Official Receiver, in his report on a bankrupt's application for discharge, to show whether any of these defaults have been committed; to what extent, and under what circumstances of extenuation or aggravation. And it is according to the view taken by the Court of their accumulation and gravity that the conditions imposed on the discharge of a bankrupt are regulated, or that it may be absolutely refused.

You can readily understand that things morally far apart may fall into the same category technically, and consequently that much is left to the discretion of the Courts in fixing the conditions of discharge. For instance, a man brought into financial straits by misfortune may turn to a relation or a friend, and, after a candid statement of his position, get a loan which does not eventually save him, and is unpaid when bankruptcy ensues. Another man wanting money for a gamble of some kind, past or to come, will borrow it on exorbitant terms, and with, to say the least, an economy of truth which is little short of a lie. In both cases the default of incurring a debt without reasonable or probable expectation of being able to repay it might technically be charged against

each of these borrowers if he became a bankrupt, but the moral quality of their conduct would not be the same. The Courts mark, by the conditions which they attach to a discharge order, the essential differences between the defaults of one bankrupt and another, though they technically fall into the same categories.

If a bankrupt estate has not been worth 10s. in the pound of the unsecured liabilities, and if any of the defaults which I have referred to are proved against a bankrupt, the Court is by law obliged to impose some condition on the discharge; and in certain cases, such as proved fraud, or any misdemeanour or felony connected with the bankruptcy, it must refuse the discharge altogether, unless it determines otherwise for special reasons which must be explicitly stated. When a discharge is neither granted unconditionally nor refused absolutely, there is either a suspension for two years or more of the relief prayed for, or the imposition on the bankrupt of some monetary obligation which he must meet before he is entirely rid of his old debts. A suspension of the discharge means that during that period the personal disabilities of bankruptcy remain, and the trustee's right to any property the bankrupt may acquire continues. If, for example, the still undischarged bankrupt becomes entitled to a legacy, or to a reversionary interest in some property, it is vested in

the trustee for the creditors. But as soon as the period of suspension is ended the discharged bankrupt gets the benefit of anything that may afterwards come to him. Sometimes the discharge is put off until the bankrupt adds a specified amount to the dividend his estate has already yielded to his creditors. Until that condition has been complied with the trustee's claim to his property survives. In other cases the bankrupt gets his discharge as soon as he consents to a judgment being entered against him for a sum fixed by the Court, which, however, is to be enforced only when the trustee can satisfy the Court that the person has the means to pay. The object here is to release a man from all the fetters of bankruptcy, except the obligation to contribute a definite sum out of any property he may acquire in the future. Now a bankrupt may decline, or may neglect, to take out the order of discharge on the conditions attached to it by the Court. But as long as he does that he remains, as to his personal status and his after-acquired property, in bankruptcy.

There are some debts which a man cannot shake off even by bankruptcy. Formerly these were limited to certain debts to the Crown and certain obligations to Courts of Law through their officers. But the category of debts that cling was extended by the Bankruptcy Act of 1890 to any liability under a judgment in an action for seduction, or

under an affiliation order, or under a judgment against a co-respondent in a matrimonial cause, except to such an extent as the Bankruptcy Court expressly orders in respect of such a liability. A check was thus placed on the too facile resort to the Bankruptcy Courts to get rid of liabilities which the bankruptcy laws were not instituted to relieve.

Want of time and the limits of my subject stand between us and any exhaustive answer to the question why four bankrupts out of every five never apply for their discharge. In London the number of applicants is proportionally much larger than in the country. The expense connected with the application is so small that it can scarcely be thought to deter. Bankrupts of low estate, of small hopes and still narrower means,—and they are many,—are not vividly conscious of the disabilities under which they remain. A man may trade freely with ready money, or without incurring debts exceeding £20, though an undischarged bankrupt. It is true he runs at all times a risk of the seizure of his effects by the trustee for his old creditors. But mere earnings are in no danger from a trustee: his furniture belongs, or may be made to seem to belong, to his wife. He does not look forward to a peerage, he will not seek election to the House of Commons or a Town Council, nor wish to relieve the gloom of his condition by getting placed on a Burial Board. In many cases a change of locality, and

perhaps of his trading name, rids him of most of the inconveniences of bankruptcy. I remember that a suggestion which came from a provincial Chamber of Commerce, that every undischarged bankrupt should be compelled to report himself periodically to the Official Receiver, was not endorsed at a meeting of the Associated Chambers of Commerce. The debtor gets immediate relief from the pressure of individual creditors, and perpetual relief, except through the restrained pressure of a trustee; the creditors secure an equal, and in some cases a very substantial, distribution of all the available assets of their debtor, quite irrespective of the inaction of the bankrupt in the matter of seeking the full acquittal which a completed order of discharge gives. And these are the primary, most general, and most important objects of the bankruptcy laws.

In conclusion, I have to thank you for the close attention you have given to these dry and altogether elementary remarks on an uninteresting subject, which can only have an academic interest to most of you. I have purposely avoided controversial topics, such as the advantages and disadvantages of settlements effected through the Bankruptcy Courts compared with those obtained by private arrangements between debtors and creditors, in which no creditor can by his vote limit the liberty of another. Over these private arrangements the law claims no

control, except to compel their registration and the rendering of simple accounts, over which it exercises no rights of audit.

But in the settlement of the relations of debtors and creditors under the direction of the Bankruptcy Courts, you will have perceived, I think, that while the law interferes only at the request of the debtor or of a creditor, its intervention, when solicited, is regulated ultimately by considerations of public policy and by what is of advantage to the commonwealth at large.

If the law had regard only to the legal rights of individuals, there is no reason why a debtor should be discharged from the payment of his legal debts as long as he lives. But public policy on the one hand makes it expedient that insolvent debtors, instead of being entangled for ever by obligations they are unable to discharge, shall be given an opportunity to make a fresh start in life under the inspiration of the ordinary incentives to good conduct, industry, and enterprise. On the other hand, it is imperative for the well-being of a nation largely engaged in trade that this relief should not be granted so easily that it would create and foster greater evils than the paralysing effects of unrelieved insolvency on a certain number of individuals. Debtors have no natural right to relief, and it must be one of the main objects of all bankruptcy laws to graduate, according to the com-

parative merits or demerits of their conduct in the circumstances which led to their insolvency, the conditions on which it ultimately allows them complete immunity from their old debts. And I shall not be far wrong when I say that the many changes, some of them fundamental, that have been made from time to time in the bankruptcy laws of England were a striving after the ideal proportion that should be maintained, for the public good, between penalties for errors of character and behaviour which caused insolvency, and the degree of liberty which should be given to those who have failed to endeavour to recover their places as useful members of the community.

VIII

THE STOCK EXCHANGE

By HERBERT E. CRABB, Esq.

I DO not think that I am erring on the side of exaggeration in claiming for London the dignity of the headquarters of Finance, the centre of the vast money-making and money-directing machinery of the world. To London nearly all nations, kingdoms, colonies, and cities apply for the all-necessary capital for the development of their civilisation, their manufactures, and their well-being. Finance is equally related to all trades, industries, and all the agencies of capital moving through banks, through national debts, and through loans for the progress of mankind. A glance at the work of the Stock Exchange and the business transacted there reveals to us the vastness of its organisation and the variety of its interests. France and Germany find their national loans quoted and freely dealt in there. London is a better market for Spanish, Portuguese, or Turkish loans than any city in those countries themselves. American railway shares receive as much attention on the London

Exchange as our own railway stocks, while most of the continental railways, nearly all foreign gas and electric lighting schemes and tramways, come to London for their capital; and with English wealth and English enterprise Naples drained its city, the Rhone established its hydraulic schemes, and the river Nile is being successfully dammed for the benefit of the Egyptians. The mines of the world,—gold, silver, copper, and diamonds,—whether in Klondyke or India, West Africa or West Australia, look equally to London for flotation, for direction and management—sometimes to our bitter cost. The London Stock Exchange is the centre and the field of all this activity and world-wide business; its anxieties, its movements, whether of buoyancy or trepidation, of elation or depression, are felt everywhere, and before entering on the real subject-matter of my remarks to-night I will ask you to listen to a few details connected with the rise and growth of the Stock Exchange.

We have often heard of the cynical remark that in new colonies and towns, especially those of English origin or acquisition, the first buildings to arise after the necessary hotel, are first a stock exchange and then a church. Well, with regard to the city of London, I can assure you that there was a St. Paul's Cathedral long before there was a Stock Exchange; and the present St. Paul's, which is still a young building for a cathedral, is nearly a hundred years older than the present Exchange.

The rise of stock exchanges is closely connected with the establishment and growth of national debts; and before the system of State loans, dealings in funds and the flotation of joint-stock business were totally unknown. To go no farther back than the Norman Conquest, you can understand that under the feudal system there was no need for a national debt. The Saxon serf followed his Norman master, and spoil and pillage paid for wars and punitive expeditions of feudal times, the kings rewarding their followers with the lands, manors, and effects of the conquered enemy. With the break up of the feudal system the need of ready money was acutely felt, and we have instances of victorious armies being compelled to disband for want of funds. Charles V., after the crushing defeat he inflicted on the French at Pavia (1525) had to dismiss 24,000 of his troops from lack of money and provisions.

The art or science of raising money (for it is both) was so little understood that we find our own Henry III., in attempting to raise £50,000, imposed a tax of 22s. 4d. per parish, which yielded the beggarly amount of £9500, there being in England at that time only 8500 parishes.¹ The tyranny and injustice employed by our earlier monarchs in raising money were most barbarous. Justice was openly bought and sold; kings themselves were bribed; loans were

¹ Garnier, in his *Traité des Finances*, states that William the Conqueror was the first in England to demand payment of taxes in money.

extorted from lords and prelates; sees and abbeys were kept vacant, and the Court in Henry III.'s time itself lived at free quarters wherever it moved. Monopolies were created at the royal pleasure, and the exactions and infamies to which they gave rise culminated in Elizabeth's reign; and, in the face of the opposition of the Queen and her ministers, Parliament at one blow, by passing a Bill for the abolition of monopolies, quashed every monopoly that the Queen had granted.

Richard I., anxious to join the Third Crusade, mortgaged the customs, sold Crown lands, farmed the revenues, and even declared that he would sell London itself could he but find a buyer; and upon his return from the Holy Land and captivity, he coolly resumed the sold properties on the pretence that he had no right to alienate Crown estates. Edward I. seized money and plate from churches and monasteries, and imprisoned Jews, holding them in the Tower to ransom. One of the Tower prisons to this day is known as the Jew's Chamber, two hundred Hebrews having been confined there by Edward for purposes of extortion. One of the reasons which contributed to the successful deposition of Richard II. was the odium and bitterness stirred up by his exactions from all classes of his subjects without any return or repayment. Henry VII. raised money for benevolences. His favourite minister, Morton, had a dilemma which was irresistible, and was called

Morton's Fork. He exacted money from men who lived handsomely, on the ground that their wealth was manifest; and from those who lived plainly, on the plea that economy had made them wealthy. Henry VIII. seized and dispossessed monasteries, abbeys, and convents. Charles I. fell by ship-money; and his son Charles II. sought money where he could find it, even becoming a pensioner of the French king.

The abdication of James II. and the arrival of William of Orange form an era in the history of the monetary world. To William's ambitious plans for crushing France and raising the credit of England we owe the commencement of that great accumulation known as the National Debt. Some people have blamed William as having invented this engine of credit; but Macaulay tells us that there can be no greater error than to imagine the device of meeting the exigencies of the State by loans was imported into our island by William III. From a period of immemorial antiquity it has been the practice of every English Government to contract debts. What the Revolution introduced was the practice of honestly paying them. And this honesty and rigid observance of every obligation contracted by the Government made the national obligations marketable. The creation of national debts, in the modern sense of the term, is really due to Venice, although Hume points out, in his Essay on "Interest," that loans were contracted in Italy in Trajan's time. Venice, however,

established a Chamber of Loans, and fixed the State rate of interest at 4 per cent. By this means the Venetians resumed their credit and increased their power on land and sea. Florence was not slow to follow this example, and her State loans were raised at 5 per cent, to the great advantage of the community. The next European State to benefit by public loans was Holland. The expulsion of Jews from Spain saw many of them with their treasure settling in Holland, where they assisted the Government by loans and industry to acquire colonies, to establish a considerable navy and maritime trade that proved to be a scourge to the great Louis at the height of his pride and power. William of Orange brought some of the best Dutch financiers to England to assist in the government of his new kingdom, and from his reign the inviolable faith of England to its public creditors for ever has been preserved. During the American War of Independence it was well known that many of the colonials in arms against us were large holders of funds. They expected to lose all their money, and to their credit they allowed no consideration of financial loss to baulk their determination to resist our soldiers, and to the credit of England no confiscation was attempted. Lord Chat-ham said that if the devil himself held Government stock, England must keep faith with him.

During William III.'s reign all conceivable forms of borrowing were attempted. Long and short loans,

annuities, lotteries, and tontines, and almost at once dealings in Government securities, began. At first the brokers used the Royal Exchange, a building erected in Elizabeth's reign, for general mercantile purposes. By 1695 the Royal Exchange was daily crowded for transactions in the funds. "Representatives of every civilised nation were to be found there, many of them in all the variety of their national costumes—Turks, Flemings, Venetians, Frenchmen, and Spaniards."¹ With this new commercial development money readily poured out for new undertakings. People who hoarded gold now began to invest it in the hope of earning dividends and profits. A new impulse was given to trade, and new projects abounded on all sides. To understand the mania for these new ventures one has only to turn to the satirical picture that Dean Swift draws in *Gulliver* in his account of the Academy at Lagado. He tells us of a project to extract sunshine from cucumbers for use in winter; another to calcine ice into gunpowder; an architect who contrived a new method of building houses, beginning with the roof and working down to the foundations, etc. etc.

The charter granted by William to the Bank of England, founded in this reign, is the first instance of a debt bequeathed to posterity. Annuities had been the favourite form of raising supplies, but by granting a charter to subscribers of a loan of £1,200,000,

¹ Francis, *Chronicles of the Stock Exchange*.

William laid the foundation of an irredeemable National Debt, and to-day over £11,000,000 are entirely beyond recall, locked up in the form of permanent paper currency. In 1697 this debt had amounted to £20,000,000, and the deficit in the national income in that year was £5,000,000. Moneyed men made large sums out of the Government's distress, and many merchants and tradesmen, finding finance so lucrative, abandoned their ordinary business and turned usurers. In 1698 the ordinary merchants using the Royal Exchange complained loudly of the encroachments of the stockbrokers and jobbers there, and, as a consequence of the jealousy and complaints, all the dealers in funds removed to Change Alley, then a large unoccupied space between Lombard Street and Cornhill. Most of the dealings took place in the open air, but when—as sometimes happens in this country—the weather was unpropitious the dealers made use of the neighbouring coffee houses, of which Garraway's and Jonathan's were the most famous. Change Alley still exists, although considerably smaller than it was in the seventeenth century. A part of Martin's Bank stands on the site of Garraway's, and Glyn's Bank occupies a considerable slice of the old alley. Inscriptions may be seen on a pillar in Glyn's and on the outside of Martin's Bank recording these facts.

During the war of the Spanish Succession the debt increased, and the issue of new loans was

secured by wholesale bribery of Members of Parliament and City financiers—to the former to secure their consent to the money bills, and to the latter to secure their assistance in the successful flotation of each new issue. This bribery was so extensive that it was calculated that, out of £46,000,000 issued, only £25,000,000 reached the Exchequer for the purposes required. On one of the war loans for £5,000,000 only £2,500,000 remained after the commissions to M.P.'s and financiers were paid. As an inevitable consequence taxation increased, and our present Chancellor of the Exchequer might well give a glance at the methods of taxation then employed. There were taxes on hearths, births, burials, and bachelors. Customs and excise were heavily burdened, and people cried out for peace.

In 1696 Exchequer Bills were issued for the first time. In 1706 the first foreign loan was raised in England,—half-a-million at 8 per cent, secured on the Silesian revenue,—to help the Emperor of Austria against France. The loan was speedily taken up. 1720 saw the bursting of the South Sea Bubble. The unknown wealth of South America had acted, since the days of the Elizabethan buccaneers, like a spell on the imagination of Englishmen, and Treasurer Harley gave countenance in Queen Anne's reign to the South Sea Company, which promised the reduction of the whole of the public debt in twenty-six years as the price of a monopoly of the Spanish trade. Spain

herself, however, clung jealously to her old prohibition of all foreign commerce. The treaty of Utrecht only gained for England the right of engaging in the negro slave-trade, and of despatching a single ship to the Spanish-American colonies. In spite of all this the South Sea Company again came forward, offering, in exchange for new privileges, to pay off the national burdens at the rate of a million a year. It was in vain that Sir Robert Walpole warned the Ministry and the country against this dream. Both went mad. The stock of the nominal value of £100 rose to £1000. Bubble company followed bubble company, till the inevitable reaction brought general ruin in its train. Shares fell; no one would buy, and thousands were penniless. Some of the schemes were ridiculous, others impossible—almost as absurd as those I just mentioned from *Gulliver's Travels*. One man opened an office to receive subscriptions for a scheme the details of which would be divulged later, and of course he decamped with all the money entrusted to him.

The American War of Independence cost £32,000,000 in taxes, and added £104,000,000 to the National Debt. The first public lottery in England took place in 1569, and the last in 1826. These lotteries were a scandal and often a crime. Lord North raised funds by them in a lavish manner, and, by distributing thousands of tickets to his supporters in Parliament, kept his majority in the House of

Commons. Out of 60,000 lottery tickets issued in 1779, 22,000 were given to a few Members of Parliament; and in 1783, out of a public loan of £12,000,000, he allotted £7,700,000 to a few City bankers. Lord Rosebery last year, in a speech in the House of Lords, publicly referred to the scandalous dealings of Lord North with the Stock Exchange—that he secured a majority by putting his friends in the House on to a good gamble in funds.

The French wars increased the National Debt by £550,000,000. In 1815 the National Debt had attained the highest point ever touched—over £800,000,000, and in the same year the first French loan was raised in London for the benefit of the restored Bourbon dynasty. With this huge sum the dealings in the funds became enormous. Continental financiers dealt largely in English stocks as the best security known to them, and so readily marketable and convertible into cash, and the need for a building for the exclusive use of stockbrokers was keenly felt. On 18th May 1801 the present Stock Exchange was begun, and brokers were charged a subscription of ten guineas per annum. In 1885 this building was enlarged and considerably altered. It now occupies the greater part of that triangular block bounded by Bartholomew Lane, Throgmorton Street, and Broad Street. It has gradually increased in size by successive additions, absorbing neighbouring offices and shops, until now, I think, it has almost

attained its limit, for it is very unlikely that the Stock Exchange will absorb the Sun Life Office or Parr's Bank, which form the two corners of the Bartholomew Lane side of the triangle. The Stock Exchange is a Joint-Stock Company, with a capital of £240,000 in £12 shares, directed by a Committee of Management appointed by the shareholders. The shareholders must be members of the Stock Exchange, but of course members need not be shareholders. The members elect a Committee of General Purposes for the management of the general affairs, and to regulate the transactions of business of the Exchange other than the profit-earning side of the concern. This committee is elected on the 20th March in each year, and consists of thirty members, who hold office for one year, but are eligible for re-election. The voting is by ballot of all members. Committee-men must be members of five years' standing. The committee meets every Monday, and special meetings for particular business are called as often as necessary. The members of the committee are unpaid, and their duties are various. They fix the dates of the settlements and special settlements; appoint quotation of new companies and stocks and shares; election of new members and their authorised and unauthorised clerks; settle disputes and other matters between members, and all the general business of the Exchange and its members.

The Exchange itself is divided into different

markets—not always by structural partitions, but by common arrangement and general usage. The Capel Court end is called the Consol market, and is devoted to dealings in the funds, Indian Government stocks, Exchequer bills, and Colonial Government issues. The New Court side is known as the American market, for dealings in United States railway bonds and shares. Then we have the Foreign market for international stocks; the English railway market; markets for industrial, commercial, and brewery stocks and shares; markets for mining shares; South African, known as the Kaffir market; West Australian, known as the Kangaroo market; and just lately a market has been made in Jungle stocks or mining ventures in West Africa.

The chief peculiarity of the London Exchange—which, as far as my imperfect knowledge goes, does not exist on any other exchange in the world—is the distinction which exists between jobbers and brokers. A stockbroker deals for clients, and studies their interests and requirements. A stockjobber has no clients among the general public,—his interest is centred in the stock itself,—and he makes prices between broker and broker, or broker and jobber. The jobber is purely a professional person, who makes a market in a certain stock or class of stocks, and at any moment is prepared to make a price in that stock to brokers without knowing whether the

broker is a buyer or seller, and perhaps without having any of the stock in his possession. This facility of having jobbers ready to deal at any moment is partly accountable for the enormous volume of London business. If in Liverpool, for instance, you wanted to sell some Liverpool Corporation stock, and your broker on the Liverpool Exchange, upon inquiry, found that none of the brokers there required any of the stock, or would make a price, he would instantly telegraph to his London agent, and instruct him to sell the stock on the London Exchange. Without the jobber, transactions could not be completed until a broker discovered some other broker willing to buy what he wanted to sell, and *vice versa*. This state of things would militate against a free market, and would often lead to artificial prices. The difference in quotations that you observe in the papers is the jobbers' turn or profit. If a broker asks a jobber to make a price, say, in £1000 Consols, the jobber will quote two prices, say $97-97\frac{1}{16}$; that is, he is willing to sell £1000 st. at $97\frac{1}{16}$ to the broker, or *buy* £1000 from him at the lower price, viz. 97. Having sold at, say, $97\frac{1}{16}$, if the jobber is fortunate in finding a broker who wants to sell, then he buys of this broker at 97, and nets $\frac{1}{16}$ profit, or 12s. 6d. on £1000 stock.

This seems very simple, but the jobber has to take the risk of the price changing, and changing

for the worse, when he may make a loss instead of a profit. A favourite rule among jobbers, which they impress upon all new-comers, is never to go home with an uneven book ; that is, always undo your bargain the same day, and rather cut a small loss than leave an unknown liability for the coming day. This is not always possible ; but it is a counsel of perfection to young jobbers and their clerks when, having sold a line of stock, to buy it all back elsewhere during the day.

Dealings in Consols, India stocks, and most of the Government securities, Local Government loans, Exchequer bonds, Bank of England and Bank of Ireland stocks, are usually done for cash or immediate settlement ; that is, the buyer takes up the stock the same day or next day, or within a few days. Speculative accounts for Consols are settled once a month—usually the first week-day in the month not a Saturday.

Dealings in general stocks and shares are made for the coming settling day, except in certain cases (or in the stocks and shares of a newly-floated loan or company). Twice in each calendar month the Stock Exchange has a general settlement fixed by the committee, about one or sometimes two months in advance, and these settlements occur about the middle and the end of each month. The usual interval is fourteen days, until the odd days of our irregular months have accumulated, when a

nineteen-day account is fixed to clear off arrears, and this long account generally includes a holiday,—Easter, Whitsun, or the August bank holidays, so as to allow of no great disturbance of business.

To bring clearly to your minds the machinery of the Exchange that actually exists, I think I can do no better than take concrete illustrations, and ask you to follow them through all the steps of their actual procedure on 'Change. Let me assume that you are commencing actual dealings in stocks, and we will see what takes place in each instance. Suppose you post an order to your broker to buy £1000 Consols at the best price obtainable. The broker or his clerk opens your letter, and fills up a slip, generally in a perforated order-book, giving a duplicate on the counterfoil. This slip, with all the other orders arriving that morning, are taken down to the Exchange, being arranged according to markets. One partner will do all the money business, that is Consols, etc., another the orders in American shares, and so on with all the other orders. Upon reaching the Consol market, the broker with your order will say to a jobber in that market, Can you make me a price in 1000 Consols? *Mind* he does not say, At what price can you *sell* me 1000? He does not want the jobber to know which way he is—*i.e.* seller or buyer. The jobber says, perhaps, 98 to 98½. If the broker is dissatisfied with that quotation, he may try another and another jobber, but if he con-

siders that a fair quotation he will say : Very well, I buy 1000 at $98\frac{1}{8}$. The jobber's name is added to the slip with the price, and it is then sent up to the office, where a clerk prepares a contract, charging brokerage which, on Consols, is $\frac{1}{8}$ per £100, or £1 : 5s. on £1000 Consols. This, with a 1s. contract stamp, which goes to the Government, constitutes all the charges on the transaction :—

1000 stock at $98\frac{1}{8}$.	.	£981	5	0
Plus $\frac{1}{8}$ brokerage	.	.	1	5	0
Stamp	.	.	0	1	0
<hr/>					
			£982	11	0
<hr/>					

and upon its receipt you ought to despatch a cheque to your broker for this amount. In the case of a sale the broker says : Very well, I *sell* you 1000 at 98, *i.e.* the lower price. Then the contract reads—

1000 stock at 98	.	.	£980	0	0
Less brokerage £1 : 5s.	}	.	1	6	0
Stamp . . . 0 : 1s.		.			
<hr/>					
Subtract	.	.	£978	14	0
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The next morning the bargain is checked by a clerk of the broker meeting the jobber's clerk in the "Name Room," a huge room in the basement almost as large as the Exchange above. If correct, the buyer's name and address is filled in on a ticket and given to the jobber's clerk, or left at his office, and the jobber perhaps hands it to some broker

with whom he undid the bargain—that is, from whom he *bought* the stock. This broker completes the ticket by filling in his client's name and address, and takes his client to the Bank of England, where, in the presence of a bank clerk, his client signs the Bank's Consol Books, and the buyer is registered as the new holder of the stock, and receives the dividends from it in future. The broker pays his client the proceeds of the sale, and then sends the completed ticket to the buying broker, who pays for it by his own cheque, and sends the Bank's ticket to his client as a record that the transaction has been effected, having previously received payment from his client.

This procedure applies to India stocks, to most of the colonial issues and British Corporation stocks. To obviate the personal attendance of country people or invalids to sign the Bank's books, the Bank, upon application, issues a power of attorney for signature by the stockholder at a distance, appointing the stockbroker or solicitor, or any one else selected, to attend the Bank of England and make the transfer on his or her behalf.

For dealings in general stocks and shares there are a few variations in this method. In the event of your sending an order for the purchase of, say, £1000 Great Western Railway stock, the bargain is executed in the same manner as Consols, except that the contract is rendered, not for immediate payment, but for the coming settlement—

say the 28th March next; and the client's cheque is not due until that day (if a London cheque), although it can be posted earlier. On the day before the settlement day, called ticket-day, brokers pass tickets or names of the buyers to the sellers. It would read as follows :—

No.	£1000 G.W.R. @ 150	Consideration, £1500 Stamp, £7:10/
	SAMUEL WELLER, of the White Hart, Southwark, Gentleman.	
Passed to	(Name of jobber from whom purchased.)	Name of broker issuing ticket.

The jobber receiving this would pass it to the jobber or broker from whom he bought it (*i.e.* with whom he undid the original bargain), and so on, until the ticket reaches the broker whose client is an actual seller and deliverer of stock. This broker prepares a transfer deed of £1000 stock, gets it signed by his client, stamped with a £7:10s. stamp, which is paid to the Inland Revenue, and then delivers it to Samuel Weller's broker, together with the G.W.R.'s certificate of £1000 stock, in the name of the selling client. Ten days from the settlement day are allowed as days of grace in which the selling broker must get the deed duly signed by his client. On the tenth day, which is called buying-in day, Sam Weller's broker has the right to buy in the stock in the open market, in order that his client may

get his stock and a transfer to sign. Any loss on this transaction has to be paid by the laggard-selling broker or jobber who has failed to complete his bargain in the time allowed. When Sam Weller has signed the transfer his broker sends it to the G.W.R. office for registration in their books. They keep the deed, and issue in exchange a certificate, stating that Samuel Weller, of the White Hart, etc., is the proprietor of £1000 consolidated stock of their company, and when dividend time comes round they send a cheque by post to Sam at that address.

In the case of bearer securities, *i.e.* those securities which are in no one's name, but pass from hand to hand like bank notes, the transfer is effected by simply handing the bond to the buying broker. In this case the ten days of grace are not allowed; all bonds must be delivered on the pay-day.

With all the thousands of transactions which take place each day in stocks and shares of all sorts and conditions, it would be impossible to complete the transfer and delivery by the prescribed time limits by means of the tickets passing through all the hands and details represented by each bargain. To simplify the work a Clearing Department has been established, and the work performed by this department—unostentatiously, almost silently—is beyond belief. The day preceding the ticket-day every dealer on 'Change makes out what is called a

clearing sheet. These sheets are listed with the name of a stock at the top, and the broker's (or jobber's) name. On one side of the sheet the broker gives the name of each member from whom he has bought that particular stock during the settlement, stating the amount, on the other side (the credit) to whom he has sold. He strikes a balance, and sends in the sheet to the department. If his sheet balances he has nothing more to do—his work is completed by the Clearing Department. If on balance he is a buyer he passes the department names for the amount of his balance; if he is a seller the department obtains and sends him tickets, in order that he may prepare transfers for signature by his clients for that amount. In a word, the Clearing Department eliminates the middleman, and brings the actual buyer in direct contact (by means of tickets) with the actual seller. In a part of the name room, sometimes all the night preceding the ticket-day, a regular army of temporary clerks is engaged by the Clearing House—clerks from the Bank of England, and other banks, insurance offices, and elsewhere, who, account after account, "clear" the Stock Exchange transactions. The Clearing House "settles" or "clears" all the active stocks, *i.e.* those in which most transactions take place. Without this department brokers, and especially jobbers, would have to maintain larger staffs, especially during the four days of the fort-

nightly settlements, to get through the tracing of names or tickets, and ensuring their delivery to actual selling brokers. The need of this department is manifest, and when, during the 1894-5 Kaffir boom, the department broke down (for the first time that I can remember), the blow caused as much sensation and disturbance to business as the declaration of war by one of the Western Powers. Business in Kaffirs was for a few hours completely paralysed; brokers could not get names wherewith to prepare transfers for their client's signature. Clients, therefore, could not obtain their money, and until the department had mastered its difficulties dealings were almost at a standstill. However, it has since so completed its machinery, and the rules and conveniences which regulate its working, that I do not anticipate such a calamity ever recurring. The Clearing House handles no money, never gives or receives cheques for stock. It fixes a making-up price in each security dealt with in their department, and as all buyers and sellers compile their lists by these prices, there can be no difference in money as far as the Clearing House is concerned.

There is another important branch of the Exchange, known as the Share and Loan Department. This division compiles, registers, records, and controls all matters relating to loans, bonds, stocks, and shares of all peoples, races, companies, and issues. Prospectuses, reports, balance-sheets, dividend announce-

ments, bankruptcies, and liquidations are recorded there. The official lists and notices—the great annual summary, the *Stock Exchange Official Intelligence*, a huge book of nearly 3000 pages—are compiled and issued by this department.

All companies whose stocks and shares are officially quoted on 'Change must, by an article of association, send copies of their reports and balance-sheets to the Share and Loan Department, and from their archives brokers trace the histories and fates of issues and companies connected with their business.

The book-keeping on the Stock Exchange has necessarily to be highly efficient. All books of members are liable to inspection by the committee, and members can be called upon to produce them for examination in cases of dispute or complaint either by other members or by clients among the general public. The system is marvellous. Every art and attention has been bestowed upon it by experts, until now it is well-nigh perfect, incapable of improvement. Each settlement is balanced, in every properly-conducted office, in every department, to the exact penny, and the elaboration of time and labour-saving arrangements are wonderful. When we consider that twice a month all the colossal transactions on 'Change are completed, settled, recorded, and balanced without friction, often without complaint or disturbance, moving onward to completion silently,



unerringly, we are compelled to admit that the system is perfect and machinery unique.

Clients are often impressed by the results of some of the arrangements. On one occasion a client called on his broker and said that twelve years before he had purchased such and such a stock, but did not know what had become of the stock certificate. Within three or four minutes the whole transaction had been turned up, and the client's own signed receipt, twelve years old, placed before him.

Sometimes, when a stock has a phenomenal rise or fall, and a broker deems it imperative to communicate to all his clients interested in that particular security, a difference of an hour or two might entail a large loss or great gain. Without their stock ledgers, in which account by account, under the names of the stocks themselves, brokers detail the buying and selling orders of their clients, it would be impossible to know at a moment's notice who was or who was not a holder of the stock whose fate was in question.

To facilitate business stockbrokers can telephone direct from their office to the Exchange itself, and during business hours the Post Office delivers the telegrams to the Exchange direct, and not to the brokers' offices first. The Exchange allows members to have two classes of clerks on the floor of the house : authorised clerks—those empowered or authorised to buy and sell on behalf of their principals, and un-

authorised clerks—those allowed in the buildings to get prices, take messages, watch markets, etc. etc., but who are not allowed to buy or sell in any case or circumstance.

With regard to new issues, new companies, and dealings in shares for the first time, transactions are often made for the special settlement, which may be a week, a month, or a year in coming. All bargains run for this special date, and no money passes until that date arrives. At the present time there are settlements eight or nine months in arrear waiting for the requirements of the Stock Exchange committee or the preparation of share certificates, without which transfers cannot be made.

I have no intention, had I the time, to enter upon a description of the speculative side of the Stock Exchange, and the peculiar procedure which governs it. I will, however, briefly describe some of the strange terms which are connected with this and other dealings on 'Change. You often hear of bulls, bears, stags, lame ducks, and other wild beasts, and these terms are often most useful and important.

A bull is a person who buys what he does not want, and a bear is one who sells what he hasn't got. The bull buys a stock which he considers hopeful and likely to rise, in the hope, before pay-day (or some other period), of being able to sell at a higher figure. It is the *profit* he wants to buy, not the stock. The bear sells stock he does not possess, in

the hope that it will fall, and that he will close the transaction by buying back at a profit. A stag is a person who applies for an allotment in a new loan or company, not because he regards it as a good investment for his money, or a good dividend-paying stock for permanent income, but merely in the hope of being able to sell out immediately at a profit. A lame duck is a person, member or otherwise, who is unable to pay his losses—in fact a defaulter.

There are other nicknames which are handy, time-saving, and succinct—portmanteau words, in fact, that would delight the heart of a Lewis Carroll—I mean those nicknames of stocks. All the *Deferred* stocks of railway are given a pet female name ending in *a*—Dora, Berthas, Clara, Cora, etc. The advantage of these is very great. The mind grasps the idea of the nickname more completely than that of the full name of the stock. South-Eastern Railway Deferred stock is known as Dover A or Dora. On hearing the former, especially in the form of an inquiry, the mind cannot grasp it with the spontaneity that one can “Dora.” Bertha is the Deferred stock of the London, Brighton, and South Coast Railway Company.

Then we have Brum for the London and North-Western Railway Consolidated stock; Westerns, Souths, Easterns, for Great Western Railway, London and South-Western Railway, and Great Eastern Railway Ordinary stocks respectively. If you sent a wire

to your broker to buy "five Brum," you would receive a contract for the purchase of £5000 London and North-Western Railway Consolidated stock. Clients sometimes make mistakes with regard to this. They think five means five hundred pounds stock, but they are wrong: it means five thousand. Clients often give unnecessary trouble. They will even write in letters, Sell my shares, or Sell my Great Western stock, and the office is set to work to hunt up how much stock or how many shares; when a word in the letter would have saved trouble, and often delay and mistakes. Then clients regard brokers as possessing exact prophetic knowledge of the course of markets. I saw only last week a letter requesting a broker to invest a sum of money in any English railway preference stock likely to rise ten points within the next six months; and another client, finding the consols he purchased at 116 fallen below par, wrote to inquire if this was another swindle, and would "*they*" reconstruct!!!

With all the excitement of changing prices, the strenuous endeavour to take advantage of all that opportunity offers, the earnest desire to study their client's interests, brokers can be pictured as unhappy denizens of the second circle of Dante's *Inferno*. "Spirits . . . hurried on by their dire doom. Hope of rest to solace them is none." But there is a lighter side, and the members are eager to seize opportunities of amusement and practical joking.

There is the time-honoured treatment meted out to strangers, and the stentorian yell of "1400" is followed by a rush of members glad of a chance of tormenting a rash intruder. Wedding processions are organised to receive some recent Benedick returning from his honeymoon, with rice and confetti; practical jokes at Christmas and on Guy Fawkes Day. Perhaps the most useful pleasantries are those practised on new members in the preparation of markets in sham stocks. The "pigeon" is advised to lay in a line of a certain stock, say "Chartered Deeps," and by the aid of a few willing brokers prices are run up to an alarming premium, and the victim finds himself in an hour or two a few hundred pounds richer, and gratefully takes his friendly tipsters to a champagne lunch. Upon returning to the market, and endeavouring to repeat his morning's campaign, he finds the market dried up and Chartered Deeps vanished to the *Ewigkeit*. Then he knows he has been "had"; but the lesson is well learnt, and if before accepting "straight tips" in future he makes inquiries as to who, where, and what are Chartered Deeps or any other new company, he will find himself better off, and will perhaps avoid many losses and anxieties.

In conclusion, I should like to call attention to the great increase in Stock Exchange dealings in our times. The chief proof of this is seen in the press, where every paper devotes a column or a page to

finance. Even ladies' and so-called society papers regard a financial editor as an essential appointment to their staff, and I have been told that one society paper has thousands of readers who look to it for advice on financial matters. This is not altogether an unmixed boon. With the ever-extending frontiers of joint-stock development attracting more and more people to enter new concerns as shareholders, it is not safe, and it is not hopeful, to find a rush of anonymous scribes confidently prophesying and advising on money matters. The readiness of the public to follow these blind leaders is in itself a danger, and an inducement for unscrupulous promoters to attempt to float doubtful and adventurous and swindling concerns. A great many of these new investors know nothing or very little of the Stock Exchange, and many of them are unacquainted with any stockbrokers. The consequence is they readily fall a prey to the advertising sharks, bucket shopkeepers, and outside brokers, and as a general rule lose their money. The members of the Exchange do not advertise, and even if they did would not all care to cultivate the small and often troublesome investor. What is to be done? That the joint-stock principle is highly convenient, and in a general way extremely useful, no one can doubt, and its still further extension seems certain. To safeguard the public and to abolish the swindling and unscrupulous company promoters, I look not to the Legislature, not

to repressive laws or complicated legal machinery, often destroying where it should only protect, but I look to the establishment of one or more companies which will direct, advise, and control industrial and general investments. I regard it as certain that, if a company with such objects were founded by honest men, it would immediately secure the support of the public, and grow in its own sphere into what the Prudential Assurance Company has become in the sphere of industrial assurance which it established—namely, a national institution in the form of a successful trading organisation. What we want is a prudential investment company properly established under the best guidance, and prepared to undertake and control the savings and investments of the smaller capitalists all over the country. This concern could afford to watch, protect, and execute the business and investments of the poorest investors, and would advise on all new companies, new loans and issues, in a conservative and yet practical way. In time such a company would become a power in the land—a terror to swindlers and a scourge to piratical promoters, and, without calling in new Acts of Parliament, would be the support of all honest industries and genuine commercial companies. That such an institution is necessary is patent to every one; the money annually lost in unsuccessful and bogus flotations is colossal. Such an institution must be established. It ought to have been established long

ago. As it has not been undertaken by the leaders of finance, the people must organise and establish it for themselves. It is their interests that are at stake, and from themselves the movement for the protection of those interests must come.

IX

THE HISTORY OF MONEY

By the RIGHT HON. LORD AVEBURY, F.R.S.

LORD AVEBURY said that money seemed to us so obvious a convenience, even so much a necessity of commerce, that it appears almost inconceivable that those who sculptured the sphinx, who built the pyramids, and the temples of Assyria, should have had no money. Yet it seems certain that this was the case.

The word "money" in the 17th chapter of Genesis is in the original Keseph, "silver," as it is correctly rendered in the Septuagint and the Vulgate. The "pieces of silver" also referred to silver by weight. Shekel also originally denoted a weight like our own word "pound." The earliest true coinage was probably that of Lydia, as stated by Herodotus.

Lord Avebury then showed a number of coins on the screen, giving a short account of each, and beginning with one of Lydia, and probably of Cræsus, stamped only on one side, as was the custom at first, and oval in shape. Then an "obol" of Pheidon, king

of Ægina; a daric or gold coin of Darius; some beautiful Greek coins; Philip of Macedon; Alexander the Great; one of Lysimachus with a portrait of Alexander, the first human head put on a coin; a Jewish shekel; a coin of Cleopatra, with her own portrait; one of Cæsar; the "penny" or rather denarius which Christ asked for when the Jews asked him about paying tribute to Cæsar; one of Pontius Pilate, struck in the year of the crucifixion; one of Antoninus Pius, with the figure of Britannia, which has been copied on our penny; Marcus Aurelius, the great Imperial Philosopher; some of our first British coins, copied from the stater of Philip of Macedon, which has a head of Apollo on one side and a chariot and horses on the other, but became gradually so modified that it would be difficult to say which was the head of Apollo and which was the chariot and horses; a coin of Cymbeline; one of Haroun Al-Raschid. He then traced up our English coinage, showing amongst others the first penny—that of Offa; one of Alfred; a rose noble; the first shilling and sovereign, both of Henry VII., whose coins also give the first portrait of an English king; and ending with a rupee of Queen Victoria. He also showed some very curious Chinese coins, and one of the last "Exchequer Tallies."

X

COMMERCE AND CITIZENSHIP.

By T. M'KINNON WOOD, Esq., LL.D., D.L., L.C.C.

WHEN I was asked to lecture here to-night, Mr. Morris thoughtfully suggested a topic which I at once cheerfully adopted.

If there is a subject to which the attention of the commercial classes of the metropolis requires to be directed it is that of citizenship. To the large majority of these classes the idea that a prosperous commerce and good citizenship are connected is novel and even strange. Successful commerce in their view depends upon individual enterprise, and upon that alone. That good citizenship may contribute to the commercial prosperity of a town is an unfamiliar idea.

We all know public men who profess their indifference to business with an air of conscious superiority. I have an acquaintance who boasts that he never dreams of voting at a municipal election, and never has given the subject a thought, except as regards a rise in the rates,

and that he looks upon as inevitable! I remember another, a city merchant, educated at a well-known public school, asking me, when I first went on the L.C.C., what I should do about the difficulties of the School Board. He was under the impression that the L.C.C. ran the School Board, and was genuinely surprised to be told that they were independent bodies. The proposal that the County Councils should regulate the School Boards had not then been started. How many Londoners could roughly discriminate between the functions of the Metropolitan Borough Councils and the London County Council, though the work of both affects them daily? One unfortunate result is that the L.C.C. is generally blamed whenever a street is opened, though there is only one highway in London for which it is responsible, and is invariably debited with every rise in the rates.

The connection of citizenship and commerce in past history—sometimes for good, sometimes involving restriction, monopoly, and the hampering of trade—would form an interesting subject. But I prefer to-night to deal with the subject as a practical problem of the present moment.

In England we had a long period in which the principle of *Laissez-faire* was held to sum up political wisdom as applied to commerce. A great work was done in freeing commerce from restrictions and outworn customs. Individual enterprise

attained to freest scope. But wisdom is summed up in no phrase. Commercial wisdom is not completely comprehended in *Laissez-faire*. We now appreciate that there are services which the community can best provide for itself.

We have still among us some extreme believers in *Laissez-faire* who resolutely oppose municipal enterprise, and who have secured the appointment of a Royal Commission to inquire into municipal trading. They hope to confine municipal enterprise within stone walls of their own building, that growth may be prevented.

There is a school of business men and of politicians who deny that the municipal authority should undertake anything which can be done by private enterprise. They would leave our water supply in the hands of eight monopolist companies, of whose dealings with the consumers the drastic regulations which were defeated by the force of the united municipal authorities of London are a recent sample. (I am glad to say that it would appear, from the experience of the last few weeks, that the numbers of those who hold this view have been singularly diminished.) They would have allowed the monopoly of the streets by tramways to remain the profitable concession of private companies; they would even leave the burning question of providing decent dwellings for the poor to be dealt with purely by private enterprise, although

the moral and physical health of the people is involved in the solution of this complex problem, and private enterprise has failed to accomplish what all now acknowledge to be necessary.

For my own part, I think it will be found extremely difficult theoretically to define the lines of the wall which is to bound municipal enterprise. On Monday I saw a strong stone wall cracked from base to summit by nothing more than the growth of an adjacent tree, for the natural expansion of which room enough had not been allowed. The tree had been somewhat cribbed and stunted, but the wall had had to give way.

We may possibly—I do not know—have definitions suggested and limitations proposed by the Commission. Standing orders may conceivably be made in Parliament; municipal development may be rendered difficult; but I am sure if this be attempted the definitions will soon be found to be too narrow; the standing orders a mere hindrance to useful work. My view is that we must deal with concrete cases as they arise, and that it is unwise to attempt to lay down general *à priori* theoretical rules to fetter the discretion of municipalities and Parliament.

If you look at the work that is being done by the municipal authorities of our towns, with the general approval of the citizens of those towns, you will see how difficult it would be to draw a

precise boundary line, and say, "Within this line it is well that the citizens should combine together to serve one another, but outside they must never step."

Take a monopoly of a necessity of life, like the supply of water. One says with confidence that such business should *not* be carried on for profit, but in the common interest. Mr. Long puts the percentage of those who would agree to this proposition very high indeed. He said the other day that 99 out of 100 Londoners would assent to it. I am only sorry he found reasons for not allowing their wishes to be immediately carried into effect, but that is a subject outside the scope of this lecture. We are in the department of public health, and we say with confidence, "This is a matter of citizenship, and should not be a matter of commerce."

Whenever the public health or the public safety is concerned,—even when the element of monopoly is absent, and we pass into the domain of private competitive enterprise,—citizenship claims its rights. The insanitary building, the factory without adequate means of escape from fire, the offensive trade, the dangerous trade, are examples.

Next we come to what most people now admit to be a legitimate field for municipal enterprise—matters which are not, in the same absolute and strict sense as water, necessities of life and health—the gas and electric lighting supply, the

control of tramways. Why have the citizens of so many towns taken the management of the tramways from private ownership into their own hands?

Because they argued that they involved a monopoly of the streets, and that it was fair that, as the traffic of the streets created the profits, the benefit should go to those who created the traffic.

But that is not the whole case.

I am one of those who think that municipal management should not have as its prime object the making of profits. Its prime object should be the service of the public. When you have commercial tramways you will find that the object, very naturally, is to work only lines which will show an immediate profit to the shareholders. It is notorious that private enterprise has left us most inadequately provided with tramways in London. The Council will equally desire to lay its tramways where they are wanted, but it ought to take a broader view. It may be its duty to lay down a line which may not in itself afford immediate prospect of being pecuniarily profitable, but which may be of immense value to the citizens by connecting other lines, or affording new means of communication to suburbs not yet developed. It ought to look at the general benefit,—possibly a benefit never to be measured by pecuniary profit.

It is now universally recognised that one chief

means of lightening the difficulties of providing adequate housing accommodation is to improve our means of transit—to provide services that are frequent, expeditious, and cheap. It is at the present moment one of the great objects which the L.C.C. has set before itself to provide a service of electric cars which shall convey the people from the congested centres of the city to the less crowded suburbs. We do not propose to adopt the cheapest system, overhead traction, but the more expensive system of the conduit, which appears better suited to the needs of London. We shall provide comfortable well-lighted cars, as rapid as the other traffic of the streets will permit, and we hope to have $\frac{1}{2}$ d. fares for short distances and 1d. fares for long stages. I would rather, in the interest of the citizens, have low fares than large profits. I have dwelt on this familiar example, because it shows clearly why it is in the interest of the public that such a service should not be left to private enterprise.

Parliament has become alive to the necessity of dealing with questions of transit in this spirit. It has a number of applications for powers to construct underground electric railways, and it has appointed a Joint Committee to consider those applications, not merely from the point of view of the promoters, but with the object of securing a systematic consideration of the question from the point of view

of the interests of the travelling public. At present promoters bring forward a scheme. The Committee of Parliament has before it only this one proposal. If the members are satisfied that it is practicable and will be of some public utility, it is sanctioned. The Committee has no means of considering whether there may not be a far better scheme with which this may in the future be found to interfere. For example, promoters may obtain powers for a certain length of line on the only practicable route, having selected, very naturally, the most profitable portion. It may be extremely desirable in the public interest that the line should be extended to a further point. There may be land, for example, which, provided means of communication is supplied, could be advantageously built upon to relieve congestion in a central district. But the fact that part of the one available route has been taken may prevent such extension. Companies naturally prefer to supply an immediate want, and to obtain immediate profit, rather than to cater for a prospective demand. There are too many cases in which Parliamentary sanction is obtained, but capital is not subscribed, and nothing is done for years. The route is speculatively monopolised to the disadvantage of the public. At the present moment the Council is urging upon the Joint Committee of Parliament the necessity of dealing with this question from the broad point of view of providing an

adequate system of transit throughout our vast area.

Even when private enterprise is providing the service, the citizen is claiming that the concessions given to commerce should have regard to his interests.

Next, I pass to a sphere of municipal work of a different kind. Here the work is undertaken by the municipal authority, because it offers no reward to private enterprise, and would not therefore be undertaken by private persons.

The main reason for the vast expenditure, annually reckoned by millions, which is undertaken by our town authorities to widen our streets, is to afford facilities for commerce. Sometimes questions of public health are involved, but I think the most frequent reason for great street widenings is that the street has become inadequate for the traffic it has to accommodate. A friend of mine used to make interesting calculations as to what the cost was to business men of the delays caused by blocks in our streets. I am sorry I have not had time to obtain some of those calculations, but you would be surprised to hear for how large an annual sum such blocks are responsible. There is no doubt that street widenings are renumerative, though only indirectly, by reason of the facilities they afford to commerce.

There is one distinct department of recognised

national and municipal service to which I have not yet referred—the Educational service of the State, of the School Board, and of the County Council. Many of you can recollect when this great service was left to private enterprise, to philanthropic effort, or to the pious founder. Now we say that a nation's interest in Education may be taken as the measure of its sense of citizenship. The services which are being rendered to our commerce by technical instruction and commercial instruction are familiar to you, and the whole question of commercial education, and the profound interest which the State has in this matter, have lately been so adequately placed before the nation that I do not propose to enter into that fruitful field.

You know that we have at present a proposal before Parliament for restoring the Thames to its old position as a great highway for pleasure and business. Private enterprise has not succeeded of late years in providing an adequate steamboat service. It has been infrequent and intermittent, the piers have been inconveniently placed and inaccessible, and the boats have left much to be desired. The Council thinks that by providing a frequent and regular service of good boats it will be able to make an important addition to London's means of communication with less cost than would be involved in street improvements, and with advantages which they could not provide.

This proposal has the support of men of different political views in the Council, in Parliament, and outside. The press has generally supported it. It has not been denounced as socialism, or as an unwarrantable interference with commerce. The owner of the existing steamboats has himself proposed a partnership with the municipal authority. The City Corporation was more than half inclined to join in the scheme. I confess I was surprised at so great a consensus of support. I will point out to you that we have gradually come to a subject with which we are dealing with very general approval, and yet we have passed outside the department of public health—outside the sphere of monopoly. We are not dealing with a necessity of life: our one justification is that such a service will be for the benefit of the citizens of London, and is not adequately provided by private enterprise.

I am not arguing that the municipality should do everything. I am only pointing out how many diverse reasons may render its assistance desirable—that the lines of limitation are not to be drawn by a simple formula.

And now I have got to the river, I wish to conclude by dealing with a subject in which commerce and citizenship appear to be inextricably mixed up—the great question of the Port and Docks of London.

Now it seems to me that a pure *à priori* theorist,

relying on his *Laissez-faire* principles, would be bound to place this question in the sphere of commerce, and not in that of citizenship. Could there be a more strictly commercial question than that of docking, discharging, loading ships and warehousing goods? If he gives up this position, what has he left?

Our fanatic against municipal trading has come to a crucial point. Is he to stick to theory and ignore experience, or bow to experience and abandon his theory?

It is odd and very English that we should have one Commission considering the limits of municipal trading, and another considering the proposal for public management of the docks. It is beginning to become evident that, if we are to have a stone wall defining the limits of municipal enterprise, it will have to be a very long wall enclosing a very wide area!

Fortunately we are able to discuss this question without raising political feeling. The call for reform comes from the commercial classes of London—the shipowner, the importer, and the exporter. The *Times* (18th December 1900) attacks the subject with great vigour—

How many people are there who realise that a very great part of the commerce of the port of London is managed by a method of mediæval clumsiness and stupidity? . . . We may well wonder, not that trade is leaving the port of London, but that it has any trade left. Nothing but extensive and well-considered measures will meet the case. The docks are inadequate,

the navigable channel is unfit for modern commerce, and the antiquated wharves ought long ago to have given place to a systematic utilisation of the river banks.

In conclusion the writer hopes that the Government "will not miss a magnificent opportunity to confer signal benefits upon the metropolis of the Empire."

The port of London is a question of metropolitan and of national importance. The tonnage of ships entering London with cargo is more than one-fifth of the total entering all the ports of the United Kingdom, while the value of the commodities imported is one-third of the total value of the imports of the whole kingdom, and the comparative value of the exports is one-fourth.

It is disquieting to note the recent progress of continental ports in comparison with London. At present the shipping entered into Hamburg is just over one-half of that entered into London; that of Antwerp is 44·5 per cent; that of Rotterdam is 41·1 per cent. In 1890 the proportion of the shipping of Hamburg to that of London was only 39·6 per cent; that of Antwerp 34·4 per cent; and that of Rotterdam 22·2 per cent.

These figures show a remarkable comparative development of continental ports. No doubt steam and telegraphy have reduced the necessity for great accumulations of stocks of merchandise, and rendered possible the direct delivery of goods to the ports of

ultimate destination. We must make allowance for this tendency. But it would be foolish to ignore the fact that these continental ports have been developed with a degree of enterprise and by methods unknown in London.

The port of Hamburg belongs to the State of Hamburg. In 1888 a great scheme of improvement, which cost £6,000,000, was completed. Toward this amount the Imperial Government contributed £2,000,000, besides releasing the State of Hamburg from the annual contribution of £250,000, which, before its incorporation with the German Customs Union, had been paid to the Imperial Treasury for exemption from the Zollverein. Considerable sums have subsequently been spent by the State on further improvements.

In the case of Rotterdam and Antwerp the port is controlled by the municipality. In the latter case the Government contributed toward the construction of quays along the river, and receives from the municipality a certain proportion of the dues.

In the French ports the docks are the property of the Government; the administration of the ports is in the hands of the Chamber of Commerce, and warehousing accommodation is provided partly by the Chamber of Commerce and partly by private firms.

In England the ports and docks are in no case in the hands of the Government, but there is a great variety of ownership and control. Bristol is a purely

municipal port. In Glasgow there is a body of Clyde Trustees, partly appointed by the Town Council (Lord Provost and nine members), partly elected by the shipowners and ratepayers (nine members), and two each nominated by the Chamber of Commerce, the Merchants' House, and the Traders' House. In Liverpool there is a very successful Mersey Dock and Harbour Board, made up of twenty-four representatives of shipping and commerce, elected by all who pay dock rates to the amount of £10, with four members from the Conservancy Commissioners of the river Mersey.

There is, in fact, the greatest variety in the constitution of the governing authority of the various English ports. We have followed our usual practice of arranging the authority in each case in accordance with existing elements and the special facts of the case. The circumstances in which a port authority was created in Liverpool differ greatly from those in which we shall have to construct a port authority in London.

We have need to consider what special circumstances exist in London.

The broad fact we have to face is that the development of the port has been arrested. Long ago the City Corporation relaxed its hold on the port, with which it is now connected only as Sanitary Authority, and the management of the port has passed from municipal control.

The administration of the river and docks is in many hands, and there are great disadvantages in the divided jurisdiction and in the overlapping of authorities.

The Trinity House has charge of lighting, of beacons and buoys.

As Port Sanitary Authority the City Corporation deals with pollution by sewage, sanitary inspection of vessels, and the landing of foreign cattle, in which the Board of Agriculture is also interested.

The Waterman's Company licenses, and frames regulations for, watermen and lightermen, and has control of the licensing and registration of boats. Passenger steamboats must be in charge of men licensed by this Company.

The docks are in the hands of private companies.

The chief public authority having control of the river is the Thames Conservancy. It has powers for the regulation of navigation, in regard to obstructions and nuisances in the river, buoys and moorings, maintenance and erection of piers. It grants licenses for works on the banks, such as wharves, though the Commissioners of Woods and Forests share in the income so derived.

It is also the authority on the upper river, and a large proportion of its members are appointed to look after the interests of the counties adjacent to the upper river

It is a body made up of nominees of over a

score of different authorities and private interests, and is obviously not so constituted as to be capable of managing the port and docks of London.¹

It has one most important duty—that of dredging and maintaining the channel of the river. This matter was considered by a Commission appointed by the Board of Trade, which reported in 1896 that a navigable depth of 30 feet below low water of spring tides should be provided up to Gravesend.

¹ The Thames Conservancy Board is made up of persons appointed by the following :—

The Admiralty	2
Board of Trade	2
Trinity House	2
Metropolitan Water Companies	1
The Shipowners	3
Owners of sailing barges, lighters, and steam-tugs	2
Dock Owners	1
Wharfingers	1
Corporation of London	6
London County Council	6
City and County Borough of Oxford	1
Reading County Borough	1
West Ham	1
The County Councils of—	
Gloucestershire and Wiltshire	1
Oxfordshire	1
Berks	1
Bucks	1
Herts	1
Surrey	1
Middlesex	1
Essex	1
Kent	1

There appears to be a general consensus of opinion that this is necessary, and that the deepening of the channel should be extended considerably, above that point at least, to the Albert Docks, and probably to the Surrey Commercial Docks. The work has, however, not been undertaken by the Thames Conservancy, owing, as is frankly admitted, to lack of funds.

This brings us to one of the most important factors in the problem we are considering. Neither the Thames Conservancy nor the chief dock companies (with one exception) are in a financial position to carry out the necessary improvements in the port.

There is an overwhelming mass of evidence that, if London is not to be seriously handicapped, provision must be made for the great ships now being built by deepening the channel of the river, the estimated cost of which is over $1\frac{1}{2}$ millions. It is also admitted that there is need of improvements in the docks, their equipment and approaches. The London and India Dock Company have a Bill before Parliament seeking powers to construct a new dock close to the Albert Dock. The Millwall Dock Company is making arrangements for increased warehouse accommodation by the aid of a syndicate to whom they are leasing land, and guaranteeing interest at 6 per cent. It is not, therefore, necessary to take up your time by labouring the question of

the necessity of great and expensive improvements in the docks and the river. We may take that as proved by the evidence brought by shipowners and others before the Royal Commission, and as admitted by the dock companies and the Thames Conservancy.

It is not difficult to show that the existing authorities are not in a financial position to raise the necessary capital economically. With one exception, the dock companies are paying at most fractional dividends on their ordinary stock, and are not, therefore, in a good position to raise new capital.

Any scheme which fails to provide for economical finance cannot be regarded as an adequate settlement of the problem.

There are other reasons for proposing one public representative authority. We require consolidated management by a body which will have one object—the development of the port, and the members of which shall represent those interested in such development. Such consolidation will mean economy and efficiency.

The London County Council has for years past recognised the vast importance to the citizens of London of the development and maintenance of the commerce of the port. The scheme they have placed before the Royal Commission proposes a partnership between the municipal authority and

the commercial classes, in the common interest of those classes and the citizens at large.

The Council has suggested to the Royal Commission that the whole business of the port and docks should be entrusted to a body to be called the Port of London Committee. The proposal is that ten members should be nominated by the Council, and that ten should be elected as representatives of the shipowners, merchants, and others interested in the commerce of the port, on the Liverpool system, by all who have paid £10 of port dues during the preceding year. The remaining members would be appointed as follows:—Two by the City Corporation, and one each to represent the Customs, the Admiralty, the Board of Trade, the Trinity House, and (in the event of an Imperial grant) the Treasury. On such a body the metropolitan, the national, and the commercial interests would be represented.

The Council has recognised that the crux of the problem is the question of finance. Not lightly, but after serious consideration, we have come to the conclusion that the most economical method of raising the millions which are necessary for the purchase of the property of the dock companies, for maintaining a proper depth in the channel of the river, and for the improvements in the docks, which are necessary for cheap and expeditious discharge and loading of shipping, is to offer the guarantee

of the rates of London. No one can deny that, upon such security, the money can be most cheaply raised. An examination of the terms upon which loans are raised by the best port authorities as compared with those obtained by the municipal authority of the same town, backed by the security of the rates, shows that the difference in favour of the municipality cannot be taken at less than one-half per cent per annum, which amounts to a large sum when you are dealing with the millions involved in this transaction. For our present purpose it is enough to take a round figure. Assuming the cost of purchase and improvements to be £25,000,000, the saving of one-half per cent would amount to £125,000 per annum. But when you consider the present financial position of the dock companies, it is clear that they can only raise money on terms much more onerous.

It is obvious that, so far as the shipowners and the commercial classes are concerned, we are offering them a great advantage, such as is offered by no other scheme. The Council does not seek to make any profit. The object is to keep the port dues and dock rates at the lowest point that will make the port self-supporting.

But as the municipal authority representing the whole of the ratepayers we had to consider another point. We had to ask ourselves whether the citizens of London generally have a sufficient interest in the

matter to justify us in pledging their credit. I think the answer is plainly in the affirmative. Not only the shipowner, the importer, the exporter, the manufacturer, but also those who depend upon them,—the labouring classes,—have a direct and strong interest in the preservation of the supremacy of the port of London. But I go further. Every citizen has a direct interest as a consumer. A very large proportion of the commerce of London is the supply of goods for the use of London. Now if, as is the case at the present moment, shipowners regard London as a slow and expensive port, that means, as there is evidence to show, higher freights. Take the case of food. We import huge quantities of food for the consumption of the people of London. Consider the case of the large importations of food from America. The freights to London and the charges in London are very much higher than the freights to Liverpool and the charges there. The difference of freight is much greater than can be accounted for by the different geographical positions of the two ports. The shipowners' opinion is, that that is accounted for by the superior facilities for despatch which exist in the port of Liverpool. They put it more on the ground of despatch, I believe, than on that of charges. Well, if through deficiencies in the port we have to pay more for our food, that is a matter which concerns every consumer in London. I think, if you consider the

matter, you will agree that we are justified in coming to the conclusion that the general prosperity of London depends very largely on its commerce, and that, therefore, the efficiency of the port is a ratepayers' interest—a citizens' question.

Looking at the success of other ports, such as Liverpool, under public management, taking into account the magnitude of the commerce of London and the possibilities of its increase, we have every reason to expect that, given the necessary expenditure of capital upon improvements, the port of London should be self-supporting, and that our proposal will not place any permanent burden upon the ratepayers.

But it is necessary to safeguard the interests of the general body of ratepayers. It might be to the interest of the shipowners and commercial representatives upon the Committee to keep dues and charges low, even at the risk of having to come upon the rates. At the same time I expect with confidence that the commercial representatives will be men of standing and capacity, such as are appointed by a similar election in Liverpool, who will aim at making the port a financial success. But there is one safe principle to be observed in the expenditure of rates, viz. that it should be controlled by men directly elected by the ratepayers, and directly responsible to them. I think, therefore, that while the fullest powers of management and of

expenditure of income on improvements or reduction of charges should be left to the Port Committee, the raising of loans and the sanction of the expenditure of capital money should remain with the Council, as the body representing the ratepayers. We have thus provided for economical raising of the necessary capital and for protecting the ratepayers' interest.

At the same time, bearing in mind the national importance of the capital port, we have suggested to the Royal Commission that the Government should be invited to contribute.

Other schemes have been put forward; one by the City Corporation, upon which the Council representing the whole of London is ignored and the City Corporation asks for large representation, and another by the London Chamber of Commerce.

There is a third alternative suggested by the dock companies, that they should be allowed larger powers of charge—in particular the right to place a new charge upon barges.

But none of these proposals, as it appears to me, touches the financial problem.

The conferring of new powers of charge upon the dock companies must add to the dearness of the port, of which shipowners already complain strongly, and the greater part of the new increase would go, not to improvements or development, but to the enhancement of dividends. Nor would the money be raised upon the best terms.

The Corporation proposal is to give to the new authority greatly enhanced powers of charge, with the object of enabling it to raise money independently of the rates. The Committee of the Corporation reported that "these powers should be ample to secure such a revenue as would provide a guarantee sufficient to justify Parliament in constituting the capital which would have to be created by their authority on trustees' stock." This proposal appears to me to be founded upon a misapprehension of what Parliament would or could do. Parliament does not arbitrarily create trustee investments. It insists on having trustee security, and is most properly very careful as to the nature of that security. It has created no stock of any port authority a trustee security. On the other hand, you have already in the stock of the London County Council a trustee security of the very highest class, by means of which the money could be raised on far better terms than on the security of dock dues. Why should this existing advantage be thrown away?

There is, besides, a limit to the practicability as well as the desirability of raising charges. It is a process which may soon diminish trade, and higher charges do not necessarily bring increased revenue.

I fail to see how this scheme, from the point of view of the shipowner and merchant and all in-

terested in the development of the port, offers anything comparable to the financial advantages of the Council's proposals.

The propounders of the scheme put forward by the Council of the London Chamber of Commerce appear to recognise that the finance of the Corporation's scheme is imperfect, and they suggest that either the Corporation or the Council should have power to make grants to the Harbour Trust, and that one or other or both should deepen the river and also guarantee the loans of the Trust. I have already dealt with the defect of this scheme, which would pledge the rates without giving control to the ratepayers.

I think it is obvious that we have here a case in which the municipal authority is able to render a great service to the Commerce of London and of the nation.

In conclusion, there are a hundred reasons why the man of business should take a serious view of his citizenship and accept its responsibilities. It is for the good of the community: it is for his own good. If he does not undertake the duties of administration himself, he should be an interested and competent critic of administration. When, as in the United States, the men of business hold aloof in indifference and contempt from municipal administration, its purity becomes degraded, its efficiency is lessened, and its extravagance increased.

Archbishop Trench has pointed out, in discussing the history of words, that the ancient Athenian called the man who took no part or interest in the public work of his city, *ιδιώτης*, a "private person" or "layman," which then came to mean "a rude, ignorant, unskilled, intellectually unexercised person—a boor; this derived or secondary sense bearing witness to a conviction woven deep into the Greek mind of the indispensableness of public life, even to the right development of the intellect."

We have not yet risen to that height of public spirit, but I hope the time is coming when Londoners will no longer make a languid boast of their indifference, but when our men of business will regard it as naturally part of their business to see that the vast affairs of our City, in which every citizen has a real and direct interest, are so conducted as best to minister to the benefit of the whole community.

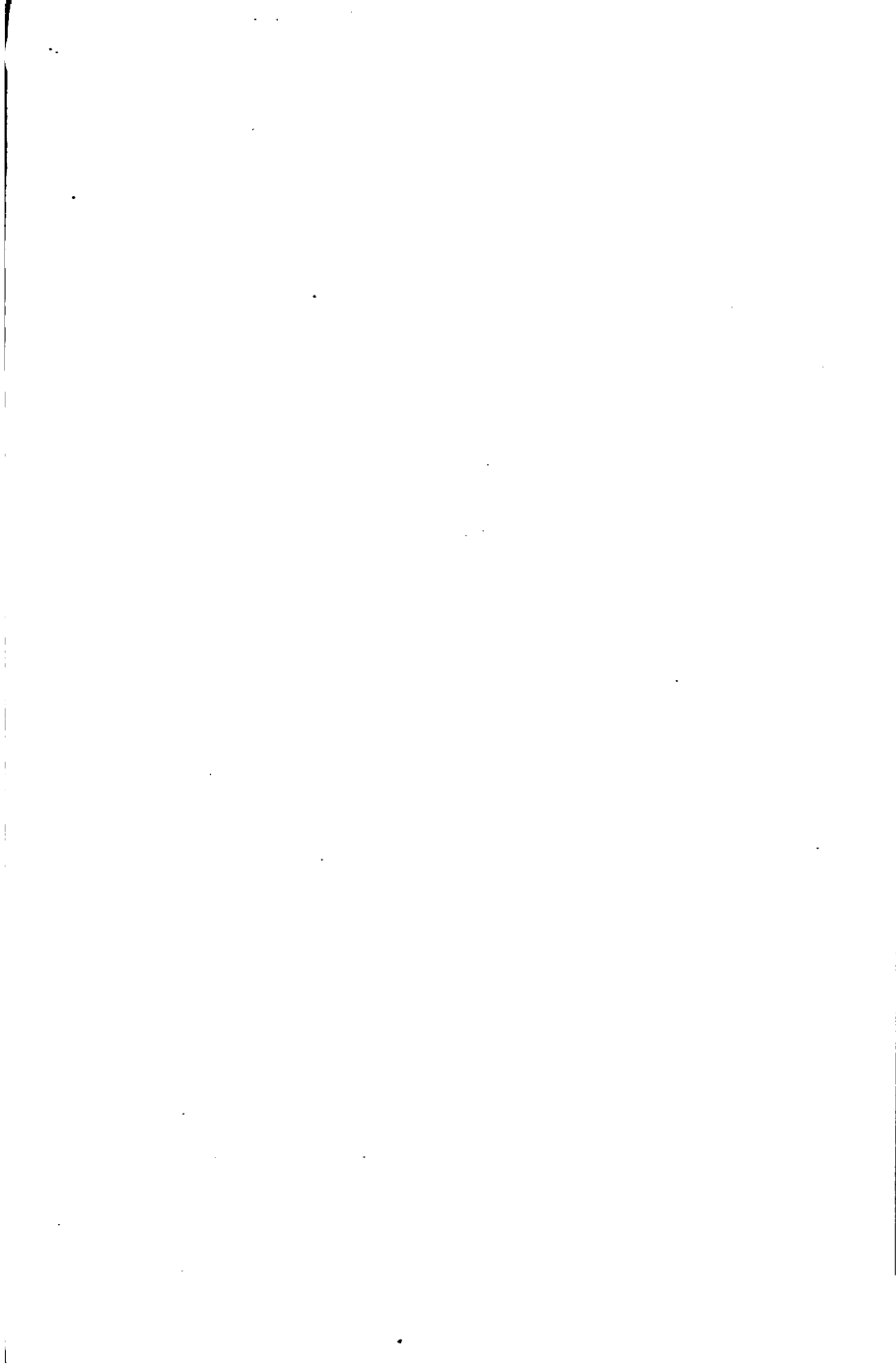
That work will only attain its highest value if you who have the power to see that two conditions are fulfilled—(1) That those you trust are competent men; and (2) that they are not entering the public service from motives connected with their private interests, but with the one public object of serving the community.

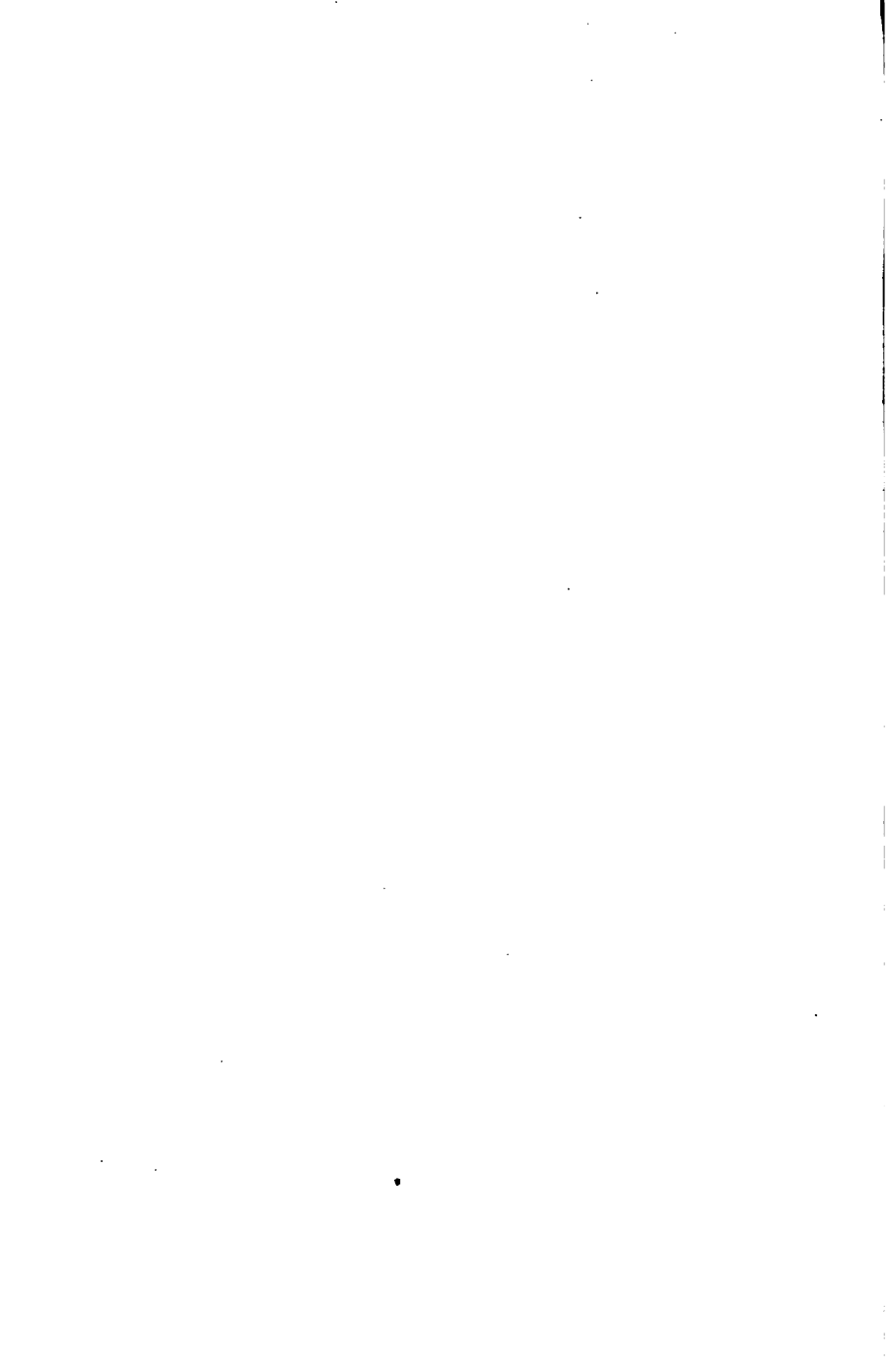
I have tried to show you that the successful development of his town must be a matter of interest to the intelligent man of business, that the line between private enterprise and municipal service is

not to be drawn upon easy *a priori* principles, that the quality of the municipal government has much to do with the prosperity of the town, and that the work of the municipal authority is not the rival but the helper of commerce.



THE END







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